Austria ... Sch. 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr 42	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0 80	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... £L 8.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland ... SFr 2 20
Finland ... Fmk 6.00	Malaysia ... Rgt 4.25	Taiwan ... NT $85
France ... FFr. 6.90	Mexico ... Pes. 300	Tunisia ... Din 0 880
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr. 8.00	U.S.A. ... $1.00
India ... Rup. 15	Philippines ... Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,687 — Monday July 29 1985 — D 8523 B

South Africa: Time to impose sanctions, Page 17

World news

Israeli bid to stem anti-Arab violence

Israeli police mounted a massive security operation in the town of Afula in central Israel to prevent anti-Arab violence at the funerals of two Jewish teachers murdered last week.

Three Palestinian youths, aged 16 and 17, from the occupied West Bank had admitted the murders and re-enacted the crime for investigators, according to police.

Police in riot gear closed off streets and paramilitary border police were stationed on almost every corner amid fears of a renewal of Friday's violence against Arabs after the victims' bodies were found in a small cave. Page 2

Helsinki protest

Hundreds of Finnish police cordoned off the Soviet Embassy in Helsinki to hold back the largest anti-Soviet demonstration in Finland since Warsaw Pact countries invaded Czechoslovakia in 1968. The protests came on the eve of the 10th anniversary of the Helsinki accord.

Bombs in Peru

Alan Garcia, a Social Democrat *who hopes to beat Peru's rebels by* spreading wealth among the poor, has become Latin America's youngest president. His arrival was greeted by a series of bombings that breached massive security for his inauguration. Page 2

Talks on summit

U.S. Secretary of State George Shultz leaves today for Helsinki where, in his first meeting with Soviet Foreign Minister Eduard Shevardnadze, he will lay the groundwork for the November superpowers summit.

Embassy staff freed

Afghanistan has freed two non-diplomatic employees of the Pakistani Embassy in Kabul who had been held on spying charges, Pakistani Prime Minister Mohammad Khan Junejo, announced.

Lebanon 'unity'

Lebanese Shia Moslem leader Nabih Berri and Druze leader Walid Jumblatt told a joint news conference they would set up a "National Unity Front" next month which would lay down terms for national reconciliation.

Train deaths

Two people died and 17 were injured when a train on the Calabro-Lucane line in southern Italy hit an embankment.

Danish riots

Denmark stepped up police protection for foreign refugees after two successive nights of rioting in which about 500 youths stormed a *hotel where 60 Iranian exiles* lodged in protest against a growing influx of refugees to Denmark – mainly from the Gulf war.

Flood victims

Monsoon floods in the north Indian state of Punjab have claimed four more victims. So far 59 people have died in two weeks of flooding which hit 3,000 villages. Page 2

Toxic gas alert

West German police called off a poison gas alert after a false alarm at a former Third Reich army base. Fears that liquid in tubes dating from the Nazi era might be toxic gas were dispelled by scientists.

Peaceful strike

Guadeloupe remained paralysed by a general strike for the fifth day, but the island was peaceful. The strike has been called by pro-independence groups who have built road blocks around Pointe-à-Pitre.

Leading wine

A bottle of Spanish wine autographed by Mrs Margaret Thatcher, British Prime Minister, fetched the highest price at a wine auction in Haro, northern Spain.

Business summary

Texas hit by chip industry recession

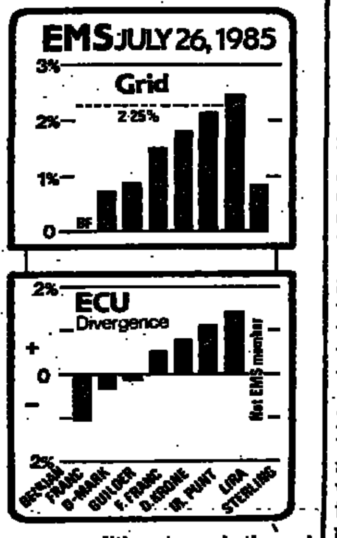
TEXAS INSTRUMENTS, world's biggest semiconductor maker, plunged to a $3.9m loss in the second quarter, blaming the downturn in the industry which it described as the "deepest recession since 1974 and possibly the most severe in the history of the industry." Page 19

AN EEC-WIDE ban on new bank loans to, and investment in, South Africa by Community companies has been proposed by the British Social Democratic Party. Page 6

CHINA'S Finance Minister Wang Bingqian reported that state revenue exceeded income in the first half by "the highest margin in recent years."

BRAZIL's central bank is to send a mission to Europe this week to explain the country's economic progress and its proposed austerity programme to the IMF.

SPECULATION about further devaluations within the EMS following that of the Italian lira, created nervous conditions towards the end of last week. Currencies thought to be in most danger are the Belgian and French francs, although the Bank of France has strong reserves if it wishes to defend the present parities. As a sign of pressure, Eurofranc rates rose on Friday and the French currency weakened in the forward market.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

UK GOVERNMENT financial advisers are expected to set and underwrite tomorrow the price at which the remaining 49 per cent of Britoil will be sold. Page 6

SOVIET economy achieved a second-quarter industrial growth rate of 4.2 per cent, after a 2 per cent growth in the first quarter. Page 2

ROYAL MINT operating profit for the year ended March 31 was 25 per cent down at £5.6m ($7.8m). Page 22

WEST GERMAN bearing manufacturer Kugelfischer Georg Shäfer will make its long-awaited public share issue later this year, floating around DM 82m ($28m) of its DM 165m capital on the Frankfurt and Munich stock exchanges.

IRWIN JACOBS, Minneapolis-based investor and Wall Street trader, said he had formed a limited partnership to raise $2.5bn and planned to acquire a major, unidentified corporation. Page 21.

FORD'S domination of the UK company fleet market is under severe pressure from Vauxhall, says a British Institute of Management survey. Page 6

NESTLÉ, Swiss-based food group, reported first-half sales 52 per cent up on last year at SwFr 22.4bn ($9.6bn) due to the acquisition of U.S. group Carnation and the weakening of the Swiss franc against other currencies. Page 19.

UK state housing schemes should be taken out of local authority control and transferred to tenants' co-operatives, says the UK economic "think tank," the Adam Smith Institute.

Ugandan military regime calls for calm

BY MARY ANNE FITZGERALD IN NAIROBI

UGANDA'S new military leaders, who deposed President Milton Obote on Saturday, yesterday suspended the country's constitution and appealed for calm.

Residents of Kampala contacted by telephone described extensive looting in the city over the weekend, with at least 10 people killed, including a soldier. Yesterday afternoon army officers intervened, driving through the ransacked city and ordering the soldiers back to the barracks. A curfew is in force and the country's borders are closed.

The acting British High Commissioner in Kampala, Mr Peter Penfold, said in a BBC interview yesterday that some of the estimated 700 British citizens living in Kampala had been assaulted.

The rebels named Brigadier Basilio Olara Okello, commander of the 10th Brigade, as leader of the coup. The appointment of Brigadier Okello confirmed early assessments that the coup had been mounted by soldiers from the Acholi tribe, who have increasingly resented the favoured treatment of Langi members of the army, from the same tribe as Dr Obote. The ex-president is reported to have taken refuge in neighbouring Kenya.

Brigadier Okello, an Acholi in his late 30s, led his troops into Kampala on Saturday from their northern bases. Despite reports of sporadic fighting, the rebels appear to have consolidated their position.

In a midday broadcast on the state-run radio, a rebel spokesman said that Uganda's constitution had been suspended, parliament dissolved and the Cabinet dismissed. He also spoke of "free and fair elections" but gave no details and suggested no timetable for a return to civilian rule.

The last elections in December 1980 were won by President Milton Obote, exiled in Tanzania since his overthrow by Idi Amin in 1971, and registration of voters for new elections later this year was due to start this week.

General Amin, who has been living in Jeddah, Saudi Arabia, since he was deposed, has welcomed the coup. He told Reuters news agency that he had ordered his followers to support the coup leaders and added that he was ready to return home and "rescue" Uganda.

The rebel spokesman said: "Our avowed objective is foremost to strive as best and as soon as we can to establish and maintain peace, liberty for all and true democracy under the rule of law."

Dr Obote's overthrow appears to have been triggered by mounting ethnic animosity between the Langi and Acholi tribes

The rift was irretrievably widened last week when Brigadier Tito Okello, the Acholi commander of the armed forces, deserted to the 10th Brigade headquarters at Gulu, 150 milies north of Kampala. His desertion, say sources close to the army, followed a quarrel with the army chief of staff, Brigadier Smith Opon-Acak, a Lango.

On Friday night 10th Brigade troops marched south to Kampala and entered the city to the cheering of residents. It is not clear whether troops loyal to Dr Obote put up any resistance, but mortar fire was heard from early Saturday afternoon to late that night, and resumed briefly yesterday afternoon.

Several Cabinet ministers have been arrested, including Mr Chris Rwakasisi, a close Obote aide and Minister in charge of the National Security Agency, which has been blamed for much of the torture and killing which has taken place in Ugandan jails. Abuses were condemned in a report last month by the international human rights organisation, Amnesty International.

A key question yet to be resolved is the role, if any, in the new Gov-

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Background, Page 2

U.S. closer to sanctions on South Africa

BY STEWART FLEMING IN WASHINGTON

SENATOR ROBERT DOLE, the Republican majority leader, yesterday called for early Congressional passage of legislation that would impose economic sanctions on South Africa, a further sign of hardening attitudes in the U.S. as the violence in the white-ruled state continues.

"Let's get a Bill out this week," Senator Dole said in a television interview when asked about legislation in Congress to impose sanctions on South Africa. "Let's send the strongest signal possible."

A conference committee of the House and the Senate is scheduled to meet on Wednesday to try to resolve differences between the two versions of the sanctions legislation, the House version of which provides for stronger action. Asked if the White House would approve a Bill, Senator Dole said: "I think the President could sign the Senate Bill."

Senator Dole's remarks followed comments by Senator Richard Lugar, chairman of the Senate foreign relations committee, calling for early Congressional action on the sanctions legislation. They came, too, amid signs that the Reagan Administration, embarrassed by the way in which the violence in South Africa undercuts its policy of "constructive engagement" towards Pretoria, is adopting a tougher tone in its comments on the situation.

On Friday, in the wake of a meeting of the National Security Council attended by President Reagan, the White House issued its strongest statement criticising the policies of the South African Government since the state of emergency was declared a week ago. "We want the state of emergency removed," said Mr Larry Speakes, the White House spokesman.

Mr Speakes repeated U.S. opposition to sanctions, saying: "They could do harm to the very people we are trying to help." But he added: "The real cause of violence in South Africa is apartheid."

The administration has reportedly used the threat of sanctions legislation in Congress to try to pressure the South African Government. The milder Senate version of the legislation would ban new bank loans and the sale of computers or nuclear technology to South Africa. Only after an 18-month delay, during which an assessment would be made as to whether progress was being made to end racial discrimination, would new investment and the import of gold coins be prohibited.

The Bill approved by the House bans new investment, loans to the South African Government, the import of South African gold coins and the export of computers or nuclear technology.

Jim Jones, in Johannesburg, writes: Mr P W Botha, the South African Prime Minister, grudgingly offered his first post-emergency olive branch at the weekend to the country's black majority. He agreed to talks with Bishop Desmond Tutu

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View from British Social Democratic Party, Page 6;
Foreign affairs, Page 17;
Krugerrand marketing, Page 21

Punjab pact under threat

By K.K. Sharma in New Delhi

THE SETTLEMENT on the Punjab reached last week between Mr Rajiv Gandhi, the Indian Prime Minister, and Mr Harchand Singh Longowal, leader of the moderate Sikh political party Akali Dal, came under serious threat at the weekend.

A meeting of the Akali Dal party held on Saturday to consider the agreement produced strong criticism from two of its senior leaders. Complaining that they were not told about the talks on the settlement, Mr Prakash Singh Badal and Mr Gurbachan Singh Tohra, refused to endorse the agreement.

Although it gained the support of the majority, the agreement now threatens further to split the Akali Dal party, the hardline wing of which has already rejected the settlement.

In the holy city of Amritsar, in Punjab, one policeman has already been killed by unidentified gunmen and security officers expect further violence from those wishing to sabotage the settlement.

Security was tightened after plans were discovered to assassinate Mr Longowal and Mr Arjun Singh, Governor of the Punjab, who was also involved in behind-the-scenes negotiations.

Politicians from other states affected by the settlement are also opposing it. In the neighbouring state of Haryana, all 28 members of the opposition in the state legislature resigned their seats in protest. They claim that the interests of Haryana, particularly over the transfer of the shared capital Chandigarh to Punjab, and the sharing of waters of the Ravi-Beas river system, have been adversely affected.

Fabius in row over closure of steel plant

BY PAUL BETTS IN PARIS

A CONTROVERSIAL decision by the French nationalised steel industry to close another plant in the depressed northern steel belt of the country has provoked a major row in the Socialist Party.

The dispute has pitched M Pierre Mauroy, the former Prime Minister, against M Laurent Fabius, the current Socialist Prime Minister.

M Mauroy, who is mayor of the northern city of Lille and one of the major left-wing political leaders in the north, was angered by the decision to close a steel plant near Valenciennes with the loss of 770 jobs as part of a further round of restructuring in the country's battered steel industry.

M Mauroy had to launch the Socialist Government's original steel restructuring plan when he was Prime Minister last year. That included job cuts and plant closures. However, the Trith-Saint-Leger plant owned by Unimetal – the long-product joint subsidiary of Sacilor and Usinor, the two nationalised steel groups – was due to continue operations in the original Mauroy plan.

But the French nationalised steel companies have now decided to accelerate and widen their restructuring programmes with the closure of Trith-Saint-Leger and extra job cuts involving about 2,000 steel workers.

The latest decisions follow a recent agreement between Sacilor and Arbed of Luxembourg to rationalise steel production with inevitable consequences on output in the French northern steel belt.

The Government, which has just announced an extremely rigorous public-spending budget for 1986 involving a real cut in public expenditure for the first time since the last war, has also been keen to speed up major industrial restructuring still outstanding in France. Included are the steel industry and the shipbuilding sector, where 900 job cuts have already been announced this month.

But M Mauroy and Socialist leaders in the north see the new steel closure as a direct attack on them after they pledged last year that there would be no more closures in the area's troubled steel industry. The Socialist Party in the north was also alarmed at the impact the latest decision could have on next year's parliamentary elections.

A series of events including pressure from M Mauroy, the apparent threat of resignation by two Cabinet ministers – M Michel Delebarre, the Labour Minister who was formerly M Mauroy's *Chef de Cabinet*, and M Jean le Garrec, the Secretary of State in charge of civil servants and a close Mauroy ally – and a series of demonstrations by angry workers around Valenciennes, resulted in a pledge from M Fabius that the steel plant would not be closed until alternative jobs had been found for the 770 workers threatened with redundancy.

The pledge appears to have appeased M Mauroy and other Socialist leaders in the north for the present. However, four Socialist councillors from the north decided to resign from the Socialist Party at the

Continued on Page 18

Britain's experts advise on how to privatise

By Sue Cameron in London

THE BRITISH Treasury is understood to have received delegations from over 20 countries – including France and China – asking how to privatise state companies.

Treasury officials are giving full briefings to foreign government representatives and then sending them to see London merchant bankers, auditors, lawyers, accountants and stockbrokers who have played a part in Britain's privatisation programme. The results appear to be a sharp increase in exports of British expertise in privatisation.

The Treasury is thought to have received inquiries about privatisation from Belgium, Thailand, the Netherlands, New Zealand, Sweden and the U.S. Some foreign governments are understood to have started inviting UK firms to visit their countries to offer detailed advice on how they might privatise their own nationalised concerns.

There are claims within UK Government circles that the privatisation programme has given some London firms the chance to gain international repute in a new and seemingly fast-growing field. There are also reports that the privatisation export business is proving considerably more lucrative for financial advisers than the domestic market where the Treasury does its best to drive a hard bargain with merchant bankers, stockbrokers and accountants.

Mr Marcus Agius, head of the Britoil privatisation team at the merchant bank Lazards, said there was "no doubt" that the expertise which Britain had acquired over the last five years was attracting interest abroad. He added that he would be "disappointed if we don't manage to pick up some more business out of it."

Mr Agius said some foreign governments were interested only in having "general discussions" about privatisation. But others were looking to place "more specific contracts for people like us to act as prime advisers on their privatisation programmes."

He said that each country differed in its reasons for considering privatisation. But there seemed to be three main interests: the desire to raise money; political motivation where governments were ideologically opposed to nationalised corporations; and the hope of avoiding problems that hit governments when things go badly wrong in a state-owned corporation.

The desire to improve efficiency and perhaps to reduce central bureaucracies could also be factors.

Mr Agius said that some coun-

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Thatcher calls for Tokyo and Bonn to encourage expansion

BY STEWART FLEMING IN WASHINGTON

MRS MARGARET Thatcher, the British Prime Minister, has called on Japan and West Germany to take advantage of the opportunity presented by their sound economic performance to adopt more expansionary economic policies in the interests of promoting faster world growth.

Asked about recent calls for such moves by Mr Paul Volcker, the Federal Reserve Board chairman, Mrs Thatcher said in Washington after a meeting with the Fed chairman on Friday: "It would seem to me that those remarks are probably directed at those countries which have considerable trading surpluses and also low inflation and comparatively low borrowing. Where you have *got those things coming together* you will find that they could perhaps now take legitimate orthodox measures ...which could result in their expanding their economies."

In the face of slowing U.S. economic growth, where fast rising imports have been spurring global economic expansion, Mr Volcker has made it clear that he believes that other industrial nations must now do more to keep the world economy moving forward.

In Congressional testimony two weeks ago Mr Volcker said there were obvious limits to America's ability to use monetary expansion to simulate its economy without threatening to reignite inflation. "The widely-shared sense that other nations should do more to open markets, to deal with structural rigidity in their economic systems, to encourage growth... is certainly right," he said.

Although Mr Volcker has avoided identifying specific countries that could do more, Mrs Thatcher left no doubt that she feels both Japan and West Germany – the latter, she said, had "a certain amount of latitude" – could adopt more expansive policies in view of their high trade surpluses, *low inflation* and "conservative borrowing policies."

In the case of Japan's trade policies, Mrs Thatcher said that she was "fairly firm about the tremendous Japanese balance of trade and that Japan simply could not go on in that way." Japan, she said, "must do something about the value of the yen which, as you know, has a very low value and needs increasing."

Mrs Thatcher stressed, however, that she was talking about specific limited stimulative moves. "There is no question of expanding by printing money," she said, adding that the boost from such policies tended to be short-lived and "lands you in trouble" later on. She gave no indication that more stimulative measures should be adopted by the UK which is seen by the U.S. to have been following more expansionary economic policies than West Germany and Japan.

Mrs Thatcher's remarks come at a time when there is still considerable uncertainty about the prospects for an upturn in the U.S. economy after its sluggish growth at a real annual rate of only 1 per cent in the first six months of the year.

The fact that the dollar has fallen significantly since February – by more than 15 per cent against the D-Mark – is also seen in the U.S. as a factor creating scope for more expansive policies in some other industrial countries. The strengthening of both the D-Mark and the yen on foreign exchange markets will help to dampen inflationary pressures in their economies, it is argued.

CONTENTS

OVERSEAS NEWS

Michael Holman reports on how deep-rooted tribalism and grievances over slow economic recovery led to the army takeover in Uganda

The fatal combination that forced Obote into his second exile

AS APOLLO Milton Obote, in exile yet again, watches events unfold in Uganda he may well be reflecting that to lose power through a coup may befall any African leader once, but a second time smacks of carelessness.

But for all his faults Dr *Obote was not careless. The* task of presiding over Uganda's recovery from the Amin years was overwhelming, the tribal divisions deep-rooted, and violence in the society endemic.

These problems were compounded by an abiding resentment on the part of many Ugandans at Dr Obote's strategies in the 1960s during his first term in office, and the bitterness created during the general election of December 1980, when pre-election manoeuvrings and rigging at the polls gave him a flawed mandate for a second term.

While Dr Obote pressed ahead with long overdue economic reforms, with the backing of the International Monetary Fund (IMF) and World Bank, he did nothing to assuage the tribal divisions his victory exacerbated. He drew increasingly for support from his own northern Langi people, and alienated the Acholi tribe, also from the north, who together with the Langi dominate the army.

He became steadily more authoritarian towards dissent and finally lost control of his poorly trained army which was facing a challenge from a guerrilla movement, the National Resistance Army (NRA).

One of the most serious problems facing Uganda today is that Dr Obote leaves no obvious successor with the skill and experience to guide the country. Uganda has yet to recover from the brutality and economic neglect suffered under General *Idi Amin and from the war that* led to General Amin's downfall in April 1979. General Amin deposed Dr Obote in 1971.

Although ex-president Godfrey Binaisa, in office during 1980, may be expected to return, along with the NRA leader, Mr Yoweri Museveni, to meet the organisers of the weekend coup, neither they nor other political figures of the day proved capable of putting post-Amin Uganda on the path to recovery.

The euphoria and sense of national reconciliation that marked Amin's departure was dissipated first by the late President Yusufu Lule, then by his successor Mr Godfrey Binaisa, and finally by the military council that ran Uganda until the 1980 elections.

Donors, at first willing to help in the recovery, grew sceptical as successive administrations failed to tackle pressing economic issues — such as a grossly overvalued currency and an agricultural pricing policy which left peasant producers turning from coffee, tea and other exports to food crops.

It was against *this background* that the re-emergence of Dr Obote, who had spent his nine year exile in neighbouring Tanzania, was welcomed, if not by the majority of Ugandans certainly by most western and commonwealth governments.

Only Dr Obote, it seemed, with his past experience could preside over recovery. He also appeared a changed man, urging on *Ugandans a mixed economy* rather than the socialist blueprint which marked the later years of his first period in office. He was also apparently committed to a multi-party democracy instead of the de facto one party state he left behind.

The turning point in Uganda's internal war and relations in the army came when the army Chief of Staff Lt Col David Oyite Ojok was killed in a helicopter crash in December 1983. A man respected by members of the Langi and Acholi tribes, his death fatally undermined Dr Obote's authority.

These considerations may well have influenced the assessment of the Commonwealth observer group which, despite strong scepticism from journalists and diplomats in Kampala, endorsed the 1980 elections as a valid exercise in democracy. Yet both the run-up to the elections and counting itself were marked by serious irregularities.

"We *came into a nest of* vipers," complained one Commonwealth official whose views, however, did not affect the final verdict.

For the Buganda, the country's largest single tribe (about 18 per cent of Uganda's *14m population) and Dr Obote's* traditional opponents, it was the last straw. They still resented the President's erosion in the 1960s of the powers of their traditional kings and Dr Obote began his second term of office facing abiding hostility from the Buganda heartland in the south and around Kampala itself.

UPC officials hoped that an *economic recovery which* delivered essential goods, revived a run-down industrial sector and rewarded farmers with realistic prices would in time buy off resentment.

The first steps seemed encouraging. Within weeks the Obote administration had drawn up a realistic recovery programme. By mid-1981 an IMF agreement had been reached, the Uganda shilling had been floated, most price controls removed, and crop prices dramatically increased.

After a decade of decline the Ugandan economy began to recover — but too slowly to ease abiding grievances. In what became known as the Luwero triangle outside Kam*pala, guerrilla groups* launched hit and run attacks, taking sanctuary in the dense and hilly bush, and enjoying the sympathy if not the active support of the Buganda people. deodorant commercial is mute.

As the National Resistance Army, drawing support from the Buganda and the west gathered strength the army mounted a brutal and ineffectual response. Villages in the Luwero triangle suspected of harbouring guerrillas were ransacked and scores of thousands of villagers either died at the hands of the army or of exposure and disease after fleeing into the countryside. Some estimates put the death toll at more than 100,000.

A turning point in both the war and in the affairs of the army came in December 1983, when the army chief-of-staff, Lt Col David Oyite Ojok, was killed in a helicopter crash.

Ojok was not only an able army officer. As as Lango from the north, the same tribe as Dr Obote, he was the President's key man in the Langi-Acholi army.

The death of a man respected by both sides was followed by bitter jostling for power which fatally undermined Dr Obote's authority. Lt Col Ojok's successor, Lt Col Smith Opon-Acak—another Lango — was not appointed until last August.

In the intervening nine months the discipline and morale of the army deteriorated further, and NRA guerrillas extended their activities to the west of the country, earlier this month capturing the town of Fort Portal.

The tentative economic recovery was running out of steam. Resources required to revive the industrial sector had been underestimated, and what was available was often inadequately utilised.

An inflationary budget in mid-1984 which boosted civil servants' salaries may have been designed to pave the way to the general election that had been scheduled for later this year, but was regarded by donors as a serious setback to the recovery programme.

Prospects now could hardly be bleaker. From a divided army a guerrilla group which has no worked-out alternative, and a demoralised population the new regime has to forge a new alliance. The task will be every bit as demanding as that which confronted President Obote and his predecessors.

Peru inaugurates President Garcia

BY DOREEN GILLESPIE IN LIMA

PERU'S ARMED forces ringed off the centre of Lima yesterday in unprecedented security measures to protect Sr Alan Garcia, the new president, and visiting heads of State attending his inauguration ceremonies.

The measures followed an increase in activity by Peru's Shining Path guerrillas who blew up two cars packed with dynamite on the two days preceding the inauguration. The cars were exploded outside the Ministry of the Interior and the offices of the joint staff of the armed forces.

The inaugural ceremonies are being attended by the presidents of six Latin American countries —Colombia, Argentina, Bolivia, Uruguay, Panama and the Dominican Republic — as well as delegations from 42 countries and 21 international organisations.

Sr Garcia, leader of Peru's centre left Apra party, was elected with 46 per cent of the vote in April. He is the first freely elected president to take office from another freely elected president, Sr Fernando Belaunde, in 40 years.

Sr Garcia a lawyer and politician was the party's secretary general before he was *elected presidential candidate.* He won the election in an aggressive campaign aimed at attracting independent voters as well as party faithfuls.

The inaugural ceremonies started with a Te Deum at Lima's cathedral followed by official recognition by the armed forces of the new head of state.

Sr Garcia was to outline his Government's policy in a 90-minute message to the nation *on receiving the presidential* band in Congress.

Brazil bankers seek W. Europe support

BY ANN CHARTERS IN SAO PAULO

A MISSION from Brazil's central bank headed by its president, Sr Antonio Carlos Lemgruber, is to meet European central and commercial bankers this week to explain Brazil's economic progress and the proposed austerity programme under negotiation with the International Monetary Fund.

Travelling to Spain, Switzerland, Germany, France and Britain, the mission intends to try to shore up confidence among West European creditor banks regarding Brazil's economic policy.

The outcome of the meetings will be particularly important to Brazil since the country has yet to reach agreement with the IMF on the programme which includes measures to reduce its public sector deficit and inflation targets for the remainder of this year and for 1986.

Contingent on an agreement with the IMF is the continuation of negotiations on the rescheduling of Brazil's external debts.

A temporary extension of short-term commercial credit and inter-bank lines of $16bn s£11.3bn) expires on August 31, putting pressure on the country to reach agreement quickly with the IMF or find itself in a position of asking creditor banks for yet another extension, the third this year.

Reaching agreement last spring with the country's estimated 700 creditor banks to grant Brazil its current extension proved arduous and difficult.

Brazilian officials this week also hope to lay the groundwork for swifter approval of another extesion of the "phase two" debt renegotiation terms, particularly from the smaller credit banks, should such a request have to be made.

Israel to consider death penalty

By David Lennon in Tel Aviv

THE ISRAELI Cabinet is due to consider introducing the death penalty for terrorist murders after the killing last *week of two Israeli teachers* by three Palestinians on the occupied West Bank.

Other measures to be considered are deportation or administrative detention for terrorists and those suspected *of incitement, more activity* by the security services and intensified army patrols and road blocks.

Last week's murders were the latest of a number of similar killings in the past two years.

Hysterical mob scenes in Afula and Hadera, in central Israel, marked the funerals of the two victims, whose bodies were discovered on Friday in a cave near the town. Screaming crowds howled down Mr Haim Bar-Lev, the Police Minister, when he tried to speak at the gravesides.

Many mourners called for the death penalty for Arab terrorists, which the Police Minister opposes, because he doubts its effectiveness as a deterrent and because guerrilla groups could retaliate by killing Israeli prisoners.

Supporters of the death penalty, such as the Vice-Premier and Foreign Minister, Mr Yitzak Shamir, argue that it would deter terrorists who know those jailed stand a good chance of being released in a prisoner exchange. An army spokesman said the three arrested Palestinians had confessed to the murders.

Hassan summit plan surprises Arab states

By Tony Walker in Cairo

King Hassan of Morocco's *announcement that* an Arab League summit is to be held in Rabat on August 7 has been greeted with surprise in Arab capitals. It is not clear whether militant States such as Syria, Algeria and South Yemen will be prepared to attend.

King Hassan has been at the forefront of moves in the past year to hold a summit to consider issues dividing the Arab world such as the Palestinian *question, and his surprise* announcement of the meeting may have been designed to put pressure on the militants, who have been manoeuvring against a summit at which they would be clearly outnumbered.

Iraq and Jordan have endorsed King Hassan's call while in Baghdad, the official newspaper, Al Jumhuriya, described his announcement as "a brave decision."

Peking replaces Shanghai mayor

By Robert Thomson in Peking

A SOVIET trained engineer has been appointed mayor of Shanghai, replacing Wang Baohan, who left the post last week after consistent central government criticism of Shanghai's sluggish response to China's modernisation drive.

Wang indicated that he was leaving because China's reform policies need "younger officials." His replacement is Jiang Zemin, 58, a member of the Communist Party Central Committee and a former deputy secretary of the Shanghai Party Committee.

Shanghai, still the country's most important industrial centre, has been criticised for the "outmoded views" held by the city's administrators.

Decision expected on European fighter project

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A DECISION on whether to proceed with the proposed European fighter aircraft project is believed to be close, with a three- or four-nation venture the most likely solution.

Unless there is a dramatic change of mind by the French over the next two to three days —which no one in the UK aerospace industry believes likely—the five-nation venture is likely to be abandoned, and the emphasis put on trying to achieve a four-nation programme without the French, or even a three-nation programme without Spain.

A series of private meetings over the past two weeks between officials of the five countries involved—Britain, France, West Germany, Italy and Spain —appears to have convinced most of those closest to the project that there is little chance of achieving the five-nation programme.

At the ministerial meeting earlier this summer, the aerospace industries of the five countries were instructed to try again to reconcile the differences about the size and performance of the proposed aircraft, although such an agreement had not been reached during the previous two years.

The French aerospace industry, supported by its government, insists that it wants a smaller and lighter aircraft than the other countries, and that it wants leadership of the programme and the biggest individual share of the work.

In recent weeks, attempts by the aerospace industries to change this situation have met virtually no success,

Soares confirms intention to stand for presidency

BY OUR LISBON CORRESPONDENT

SR MARIO SOARES, Portugal's Prime Minister, announced this weekend he will run for President in an election next *January. But the Socialist leader* said he would not officially launch his campaign until after a parliamentary election in October.

Sr Soares' bid to succeed Gen. Antonio Ramalho Eanes and become the first civilian President since the 1974 revolution restored democracy has long been expected.

However, the Prime Minister did not formally commit himself until a Socialist national convention on Saturday when 4,000 delegates approved his candidacy by acclamation after its earlier ratification by the party leadership.

Sr Soares said he would not formally announced his candidacy while he remains head of a caretaker government that will remain in office until after a general election on October 6.

Left-wing Roman Catholic, Sra Maria de Lourdes Pintasilgo, an interim Premier for 100 days in 1979, also announced her candidacy this weekend. The third main candidate for President is Sr Diogo Freitas do Amaral, the former Christian Democrat leader.

Gonzalez criticised over private sailing cruise

BY DAVID WHITE IN MADRID

SR FELIPE GONZALEZ, the Spanish Prime Minister, has laid himself open to the censure of both left and right by taking a private cruise in a motor yacht closely associated with the memory of the late dictator Francisco Franco.

His decision to use the Azor, a 36-year-old vessel belonging to the Spanish navy, for a surprise *three-day trip along the coast* of Portugal has perplexed Socialist Party associates and elated opponents

The cruise aboard the Azor, which General Franco used for fishing expeditions, displays an apparent and uncharacteristic political clumsiness on Sr Gonzalez's part. The Communist Party said it was "a message directed to traditional sectors of the country" and showed "*total disregard for left-wing* opinion."

IBM awarded U.S. air traffic control contract

By Paul Taylor in New York

INTERNATIONAL BUSINESS Machines (IBM), the world's largest computer maker, has won a contract from the U.S. Transport Department for mainframe computers to update the Federal Aviation Administrations 20 air traffic control centres.

IBM won the contract, valued at an initial $196.9m (£140m), with up to $235.1m in future add-on options, after a 21-month design competition against Sperry, another U.S. mainframe computer maker.

The *computers, which replace* an earlier IBM system in operation since the early 1970s, will be delivered next summer.

Mrs Elizabeth Dole, the U.S. Transportation Secretary, said the equipment will give air *traffic controllers extra capacity* to handle growing air traffic safely and with greater efficiency.

The replacement system was ordered after the FAA was criticised for not doing enough to *reduce air congestion and* flight delays.

Soviet industrial growth up in quarter

By Our Moscow Correspondent

SOVIET industrial performance picked up in the second quarter of this year after a slack first three months but many key sectors, particularly oil, still failed to reach targets.

It would clearly be hasty to attribute a second-quarter industrial growth rate of 4.2 per cent, against 2 per cent in the first quarter, to Communist Party chief Mikhail Gorbachev's drive to revitalise the vast Soviet economy.

Mr Gorbachev, who has laid great stress on new technology and the "human factor", will be disappointed, for instance, to see that output from the robot and automated tools industry dropped in the first six months of 1985 compared with last year.

He can take note of a 3.7 per cent second quarter jump in labour productivity. A report with the six-monthly figures attributed almost all of the boost in output to harder work rather than greater investment. There was no figure for capital investment.

As first-quarter results were worse than expected because of an extra-severe winter, the second-quarter "recovery" should be seen as a natural return to a more normal level.

Nonetheless, while gas and electricity output went up, the oil industry continued to lag well behind, producing 295m tonnes in January-June 1985 against 307m tonnes last year.

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Delay 'unlikely' for Kraftwerk Union's China N-plant work

BY JOHN DAVIES IN FRANKFURT

KRAFTWERK UNION (KWU), the West German power station builder, believes it is unlikely that the Chinese will delay the Sunan and Shenzhen nuclear power plant projects by inviting U.S. companies to submit tenders.

But it believes that U.S. companies are likely to compete for future nuclear power plant contracts in China.

A major obstacle for U.S. companies was removed recently when the Washington administration reaffirmed its approval of the long-stalled U.S.-Chinese nuclear co-operation agreement. The path is not yet completely clear, however, as the pact might face opposition in the U.S. Congress.

KWU said that China could theoretically *invite* U.S. companies to tender for the two nuclear power plant blocks planned at Sunan, in Jiangsu province, 130km from Shanghai, and for the two others proposed at Shenzhen, in Guangdong province, in a joint venture with Hong Kong.

But these projects are already in an advanced stage, with experts ploughing through hundreds of kilogrammes of documents submitted by KWU and Framatome of France. On the Chinese suggestion, both KWU and Framatome have put in detailed proposals for all four blocks.

If tenders for these projects were re-opened, this could mean a delay of six to 12 months, according to West German nuclear experts.

KWU believes that the arrival of U.S. companies on the Chinese nuclear scene would increase the "quantity" of competition for the string of nuclear reactors China is planning to build.

But KWU claims to be less concerned about the "quality" of competition, particularly as the Chinese expect complex packages, including turnkey contracts, technology transfers and detailed financing.

Decision near on oil pipeline in Turkey

IRAQ AND TURKEY have completed studying offers by a number of foreign companies to build a 500,000 barrel per day (b/d) Iraqi oil export pipeline through Turkey, according to an Iraqi oil ministry official.

A Turkish delegation is expected to arrive in Baghdad today to discuss the bids.

The new pipeline will run parallel to Iraq's 1m b/d pipeline to the Yumurtalik terminal on the Turkish Mediterranean coast.

The Yumurtalik pipeline has been the only outlet for Iraqi oil exports since early 1982 when Damascus closed an Iraqi pipeline to the Mediterranean across Syrian territory. Iraq's oil terminals in the northern Gulf were closed at the outbreak of the war with Iran in 1980.

Mr Taha Yassin Ramadan, Iraq's first deputy prime minister, said in June that his government had abandoned hope of reopening the oil pipeline through Syria.

"Iraq has decided to transfer the course of its oil exports through safe outlets, away from the effects of the Gulf war," Mr Ramadan said.

The Iraqi oil minister, Mr Qassam Ahmed Taqi, said that Iraq planned to double its export capacity by the end of this year to 2m b/d on completion of another 500,000 b/d pipeline for oil exports through Saudi Arabia.

Iraq's oil production quota set by Opec is 1.2m b/d.

Mr Taqi said discussion of Iraq's request for a higher production quota at last week's Opec meeting in Geneva was postponed until Opec's next special meeting in October.

Reuter

Iranian plan to expand Gulf ports

IRAN WILL spend 24bn rials ($240m) this year expanding eight ports in the Gulf, according to Iran's national news agency IRNA.

The programme involves the main ports of Bandar Khomeini in the northern Gulf, and Bandar Abbas, on the Strait of Hormuz, and six smaller ones.

Bandar Khomeini is east of Abadan and Khorramshahr, which IRNA said used to handle the bulk of Iran's foreign trade until the war with Iraq halted their port activities in 1980. Both cities are near the southern Gulf war front.

● An Iranian delegation will leave for the Soviet Union next week for talks on two power stations partially completed by Russian technicians.

Reuter

SHIPPING REPORT

Cut in oil prices fails to boost depressed trading

BY ANDREW FISHER, SHIPPING CORRESPONDENT

IT WAS another week of falling rates and slack business in world shipping markets. The slight cut in some Organisation of Petroleum Exporting Countries (Opec) oil prices was not *expected to boost trading, while* the dry cargo scene remained sombre.

Several VLCCs and ULCCs (very large and ultra large crude carriers) were chartered privately, at rates not disclosed on the open market. These included vessels for storage at Iran's Sirri island.

One 240,000 ton cargo was fixed from Kuwait to Taiwan at only Worldscale 19.5. Elsewhere, said shipbroker Galbraith's, the market has been very humdrum, partly due to the holiday season.

Dry cargo rates slipped yet further. One 51,000 ton grain cargo was fixed from the U.S. Gulf to continental Europe at *$5.85 (£4.18) a ton, with reports* of only $10.75 paid for grain to Japan.

Denholm Coates, shipbroker, said the Indian Government chartered a cargo of fertiliser from the U.S. Gulf at $23.75 a ton against a recent level of $25 and as much as $33.50 in April.

Some tonnage has been absorbed by congestion in China, India, and the River Plate in South America, "but good news remains in very short supply."

World Economic Indicators

RETAIL PRICES
(1980=100)

	June 85	May 85	April 85	June 84	% change over previous year
W. Germany	121.3	121.2	121.1	118.6	2.3
France	158.3	157.7	156.9	148.8	6.4
Italy	190.3	189.4	188.0	174.0	9.4
Netherlands	122.4	122.5	122.4	119.4	2.5
Belgium	140.5	140.5	140.3	133.7	5.1
UK	142.7	142.4	141.8	133.4	7.0
U.S.	130.6	130.1	129.8	125.9	3.7
Japan	114.3	114.5	114.0	111.8	2.2

Source: Eurostat

Anthony Moreton examines the success of a campaign to increase sales in the U.S.

How Australian woollens won the West

TWO YEARS ago the Australian Wool Corporation, in an effort to boost demand for wool, decided to gamble on a massive promotional campaign in the U.S. to sell more suits, pullovers, socks and other woollen clothes.

The gamble became an overnight success. Helped by a recovery in the U.S. economy and a strong dollar, sales soared so strongly that the campaign's five-year target was reached within two years and forecasts were subsequently revised upwards.

The success is all the more pleasing for the AWC because it was touch-and-go whether it would go ahead.

AWC's partners in the International Wool Secretariat—the marketing arm of the world's major wool growers, which has carried out the campaign—were unenthusiastic. Neither South Africa, New Zealand nor Uruguay had the resources available.

Australia, therefore, decided to go it alone and put up an index-linked $8.5m (£6.07m) a year for the five year. South Africa subsequently made a small contribution but the other two held back.

British woollen exports earned £57m in May bringing the total for the first five months of the year to £277m, a rise of 22 per cent over the same period of 1985. Fears that the strength of sterling could slow the growth towards the end of the year have been expressed by the National Wool Textile Export Corporation which believes the pound is over-valued against the dollar, the German mark and the Japanese yen. The U.S. continues to be the most important single market but Japan is closing the gap. On an exports-per-head basis, though, Canada easily leads the field. Its 18m people take almost half as much as the 200m Americans.

"Resources were so stretched," according to Mr Ernest Barr, Melbourne-based director of the AWC, "that if the campaign had failed it could have broken the IWS."

Demand for wool was dropping, and Australian growers were having to pay, through a levy, for an increasing stockpile of raw wool. They were being asked to put up more money at a time when it appeared wool was an unwanted commodity.

In the U.S. wool consumption had been badly hit by the first economic crisis in 1974. Between 1972 and 1975 the amount dropped from 141m kg to 80.5m kg.

A surge of activity in 1976-77 was followed by a further five static years. By 1982 wool accounted for under 3 per cent of the country's total fibre use and all the major U.S. garment manufacturers had stopped using it. Wool demand was 113m kg per annum and the campaign set a target of 149m kg by 1988.

The stronger economy immediately sucked in more imports, particularly high-class knitwear from Italy, Britain and West Germany and clothes from low-cost Far Eastern suppliers. Within a year annual demand had risen to 134.9m kg, a figure not targeted for until the second half of the campaign.

Last year, the target was topped, with a final total of 151m kg sold. A delighted Mr Paul Marois, director of the IWS in the U.S., has had to revise his targets upwards to realistic levels.

The campaign's two main aims were to push wool into parts of the country, especially the warmer West, where sales had previously been weak and make buyers aware that woollen clothes could be worn in the spring.

"We have been so successful we have created a new image for wool," Mr Marois says. "This has helped us sell it in a geographically larger part of the country."

"Wool promotion had never previously been undertaken on a national basis," according to Mr Marois. "We concentrated heavily on the eastern cities and Dallas, Atlanta and Los Angeles, about 15 altogether.

"With the extra finance at our disposal we have expanded our role to 30 cities, virtually all the major ones in the country.

"This has taken us right into the sun-belt cities we have wanted to enter for some time. We were right to want to do so. The response in Phoenix, Houston, New Orleans and the Californian cities has been great. Wool has become national."

The other problem was to take wool into spring.

Wool clothes have always been associated, in the U.S., with autumn and winter wear. With the aid of the "cool wool" promotion already being used in Europe, the IWS promoted lightweight woollen cloths.

One consequence, according to Dr John McPhee, London-based managing director of IWS, has been for wool to grow in the U.S. at a faster pace than other fibres. "Net domestic consumption grew by an estimated 12 per cent last year, much faster than the fibre market as a whole, which increased by only 3 per cent."

Another consequence has been to draw some of the major clothes producers back into using wool. Both J. P. Stevens and Burlington Industries have spent heavily on putting in machinery capable of handling pure wool and wool blends garments. It has been estimated that over $400m has been spent in the past three years on wool machinery.

EEC move on VCRs under fire

BY CARLA RAPOPORT IN TOKYO

THE ELECTRONICS Industry Association (EIA) of Japan has sharply criticised a decision by the EEC to raise the tariff on imports of video cassette recorders.

The EIA said the EEC move, which will increase tariffs to *14 per cent next year from 8* per cent was "not correct and only strengthens protectionism." The trade association said it would appeal for withdrawal of the decision.

Matsushita, Japan's largest VCR manufacturer, regretted the decision but acknowledged that there was not much to be done about it.

Its immediate strategy would be to accelerate production at its joint venture plant in West Germany. Future measures would be to decrease exports direct from Japan, or maintain production in hopes of a recovery in domestic VCR sales.

The EEC decision was taken on Thursday after tough debate in Brussels in which fears were expressed that such a move would heighten protectionist tendencies.

The move against the VCR imports was carried when the majority of member States accepted a plan to cut tariffs on semiconductors to 12 per cent from 14 per cent. Tariff reductions also would be applied to desktop calculators, alarm watches and magnetic tapes.

Reuter reports from Seoul: South Korea may retaliate against the EEC decision to raise VCR tariffs, Trade Ministry officials have said. The increase was a heavy blow and Seoul would try to persuade the Community against implementing it. Counter measures could include raising tariffs on imports from the EEC.

Rifkind optimistic on rise in trade with Soviet Union

BY OUR MOSCOW CORRESPONDENT

UK FOREIGN Office Minister, Mr Malcolm Rifkind ended a week-long visit to Moscow yesterday convinced that the Soviet Union was committed to boosting bilateral trade by 40 per cent to 50 per cent.

He said there was still strong Soviet support for this increase, which would help redress Britain's trade deficit with the Soviet Union which reached some £600m in 1984.

"The potential for growth is quite considerable," he said.

The Minister said he believed Britain was likely to benefit from Soviet leader Mikhail Gorbachev's endorsement of a substantial increase in bilateral trade. It was Mr Gorbachev who set the target when in London last December.

Mr Rifkind said Mr Vladimir Listov, Soviet Chemical Industry Minister was to hold talks in London this week, the latest in a series of high-level economic meetings which could yield orders for British companies.

UK NEWS

TUC faces struggle on obedience to law

THE ANNUAL policy-making assembly of the Trades Union Congress (TUC) in September will see a struggle between right- and left-led unions around the fundamental issues of trade unionism, obedience to the law and collective discipline, writes John Lloyd, Industrial Editor. Hanging over it will be the threat of split and the creation of an alternative union grouping.

The main division between unions will be over whether they should remain faithful to the principles of defiance of the Conservative Government's employment legislation, drawn up at a special conference in April 1982 at Wembley, North London.

Besides this debate, however, the TUC will be faced with motions harshly critical of the electricians union, EETPU, for concluding single-union, no-strike deals. It will discuss, possibly even decide, the fate of the Amalgamated Union of Engineering Workers (AUEW), which is at present facing suspension or expulsion for taking state aid for ballots, forbidden under the "Wembley principles."

In addition, a motion from the *National Union of Mineworkers* (NUM) calls on a future Labour Government to reinstate *all* sacked *miners*, and to reimburse the NUM for *all* monies paid out to the courts during the 12-month strike which ended in March this year.

Senior union leaders said last night that such a motion, with its potential for embarrassing the Labour Party, could not be allowed to pass – and could be directly opposed by the TUC's general council, or be the subject of radical amendment.

The right-led unions which are now peeling away from the "Wembley principles" are thought likely to receive somewhere between 2m and 3m votes from the available total of nearly 10m. This would mark a clear defeat – but would then become a test of TUC discipline, since many of these unions presently say they will not obey the TUC lead in this case.

The Engineers and Manager's Association has attempted, in its resolution, to defer any possibility of expulsion for taking ballot money by proposing that Congress drops all disciplinary procedures because of the "overriding dangers of splitting the trade union movement."

The EETPU, and the Civil and Public Servants Association, have also introduced motions calling for reviews of the Wembley principles, or of the labour movement's attitude to the employment legislation itself.

However, a motion from the Transport and General Workers' Union to reaffirm the Wembley principles, backed up by a statement already endorsed by the general council which also underpins Wembley, is expected to carry the day.

The EETPU practice of signing single-union deals is challenged by the white collar union Apex, which has long been an ally of the electricians on the right. Apex proposes that Congress amend its rules on disputes to pre-empt any future moves by the EETPU, or other unions, to sign such deals without *the consent of other unions.*

The Fire Brigades Union, in a motion condemning the proposals outlined by Mr Tom King, the Employment Secretary, for consultations on a ban on strikes in essential services, also criticises the practice of signing no-strike deals – of the kind concluded by the EETPU.

Senior union leaders last night expressed concern that the Congress would be a divisive one, especially if the issue of the AUEW's suspension or expulsion for taking money for ballots comes before congress for a decision.

Many believe that while the AUEW may pull back from the brink when faced with life outside the TUC, the EETPU, with a generally more radical right-wing leadership, is now inevitably on a collision course and will soon end up outside of the TUC.

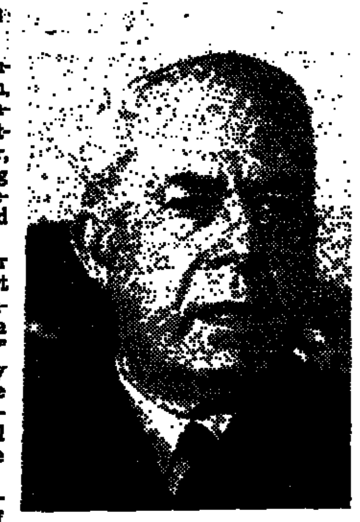
MacGregor accuses minister of pit closures interference

BY OUR INDUSTRIAL EDITOR

MR IAN MacGREGOR, the National Coal Board (NCB) chairman, seems likely to survive the publication of an interview in which he bitterly criticised Mr Peter Walker, the Energy Secretary – revealing the tensions and disagreements between the two men during and since the 12-month miners' strike.

Although he criticises Mr Walker for interference and Mrs Margaret Thatcher, Prime Minister, for undercutting him by "making a speech saying something different" to *himself, it is thought unlikely* that he will be asked to leave before the expiry of his contract next September *because of the political* damage which would result if he were sacked.

He is clearly *frustrated* and angered by the Government, most of all by two different events. First, he has been delayed in his pit closure programme by being forced to submit all pits to a revised colliery review procedure, the outlines of which were agreed between the NCB and the pit supervisors' union, Nacods, last year.



Mr Ian MacGregor: frustrated and angered

In his interview, published in yesterday's Sunday Telegraph newspaper, Mr MacGregor criticises Mr Walker for his private meetings with Mr Peter McNestry, the Nacods general secretary – and makes clear that the agreement was forced upon him by Government.

Last week, the three mining unions met the NCB in a further attempt to thrash out an agreement – and managed to come up with a compromise proposal on the composition of the review body which will pronounce on pit closures which is now being studied by Mr MacGregor.

A growing number of pits are waiting to be considered by the review procedure, *and its operation* will slow the closure rate considerably. At the same time, the NCB *faces a delicate problem on how to* move if the review body supports the unions objections to closure. The *agreement says that it must* give "full weight" to the review body's findings.

In the second place, Mr MacGregor is still smarting from a dinner meeting with the Prime Minister in May when, in the presence of his senior directors, Mrs Thatcher made clear her dissatisfaction with the closure rate and with the NCB's treatment of working miners, who were suffering considerable intimidation.

● Mr Arthur Scargill, the miners' union president, was last night recovering from minor injuries received when the car taking him to a rally in Nottinghamshire was involved in a road accident.

'Official bodies are investigating allegations' about JMB debtor

BY TERRY POVEY

MR PAT BENSON, the *former* chief executive of Sumrie Clothes, who has identified himself as the principal source of information to several MPs about the affairs of Mr Michael Hepker, one of Johnson Matthey Bankers' (JMB) debtors, has written to shareholders of the listed textile company saying that his allegations are now being investigated by various official bodies.

The Bank of England rescued JMB last year when it revealed losses of £248m, more than half its book value of £400m.

According to Mr Benson: "I am co-operating fully with these investigations and, as the authorities concerned have the necessary powers to overcome any lack of co-operation which may be shown by others, I am confident that the information which I have supplied to them will be proven true."

Among the bodies Mr Benson has made reports to are the London Stock Exchange, the Takeover Panel and the Department of Trade. Allegations made originally by Mr Benson in a letter to shareholders of June 24, cover a series of share dealings by Mr Hepker, who is chairman of Sumrie Clothes, through a number of UK, offshore and Swiss companies.

Among these are dealings involving Ravensbury Investments, an Isle of Man-registered private limited company which owes £1.5m to JMB.

Mr Hepker has repeatedly said that the allegations about him made in the House of Commons by Mr Brian Sedgemore, MP, which include references to threats against a witness, are baseless. He claims that he has been subject to a "personal vendetta for six months," from Mr Benson.

Ravensbury Investments, of which Mr Benson is a director, borrowed from JMB to finance the development of a site for a supermarket in Glamorgan, South Wales. The planned Tesco store project has not been carried out since the loan was made in 1981 and JMB is now pressing for repayment.

According to Mr Hepker the assets against which the loan was secured are now all in the hands of companies under his control. He denies Mr Benson's allegation that he owns Ravensbury through arrangements with its only two listed shareholders, Mr Barry Johnson and Mrs Jacqueline Dillon, both of the Isle of Man.

Mr Hepker has accepted to assist JMB to realise all the assets against which the loan was secured, but adds that there would be a shortfall – estimated at between £300,000 and £400,000.

● Another JMB debtor has run into difficulties. Berg & Sons, a City of London-based company specialising in arranging letters of credit and in discounting bills, for trade with Nigeria, is faced with a winding up petition from Union Discount, claiming non-payment of debts of £500,000. JMB is mentioned in the Union petition as a supporting creditor.

Berg & Sons is run by Mr Uhmed Golecha and owes JMB £6m through a direct loan, plus a further [illegible] bills discounted for Esal, the trading company which crashed in February 1984 leaving debts of several hundred million dollars.

Mr Rajendra Sethia, who ran Esal, is under detention in India concerning various fraud charges. Esal is one of JMB's major debtors.

Brittan queries content of film on IRA

By Raymond Snoddy

THE HOME Office is to ask the BBC today for information on a television programme about Londonderry in Ulster which includes *interviews with Mr Martin McGuinness*, who has been accused of being the IRA's chief of staff.

Mr Leon Brittan, the *Home Secretary*, has asked officials to find out details of the content and balance *of the programme. The move* follows comments by Mrs Margaret Thatcher, the Prime Minister, in *Washington that if the* BBC were to go ahead with any such programme she would "condemn them utterly."

The BBC *maintained yesterday* that the programme would be broadcast as scheduled on August 7. Mr Will Wyatt, head of documentary features for BBC Television, said yesterday he respected anyone's concern about so-called IRA films. "But this is a careful, informative, thoughtful film for the British viewer about the polarised nature of Northern Ireland."

Mr Wyatt said there was no clandestine filming or meetings in the making of the programme. The film looks at the divided city through the eyes of Mr McGuinness and a Protestant Loyalist, Mr Gregory Campbell, who believes the IRA should be shot on sight. Both are elected representatives of their communities.

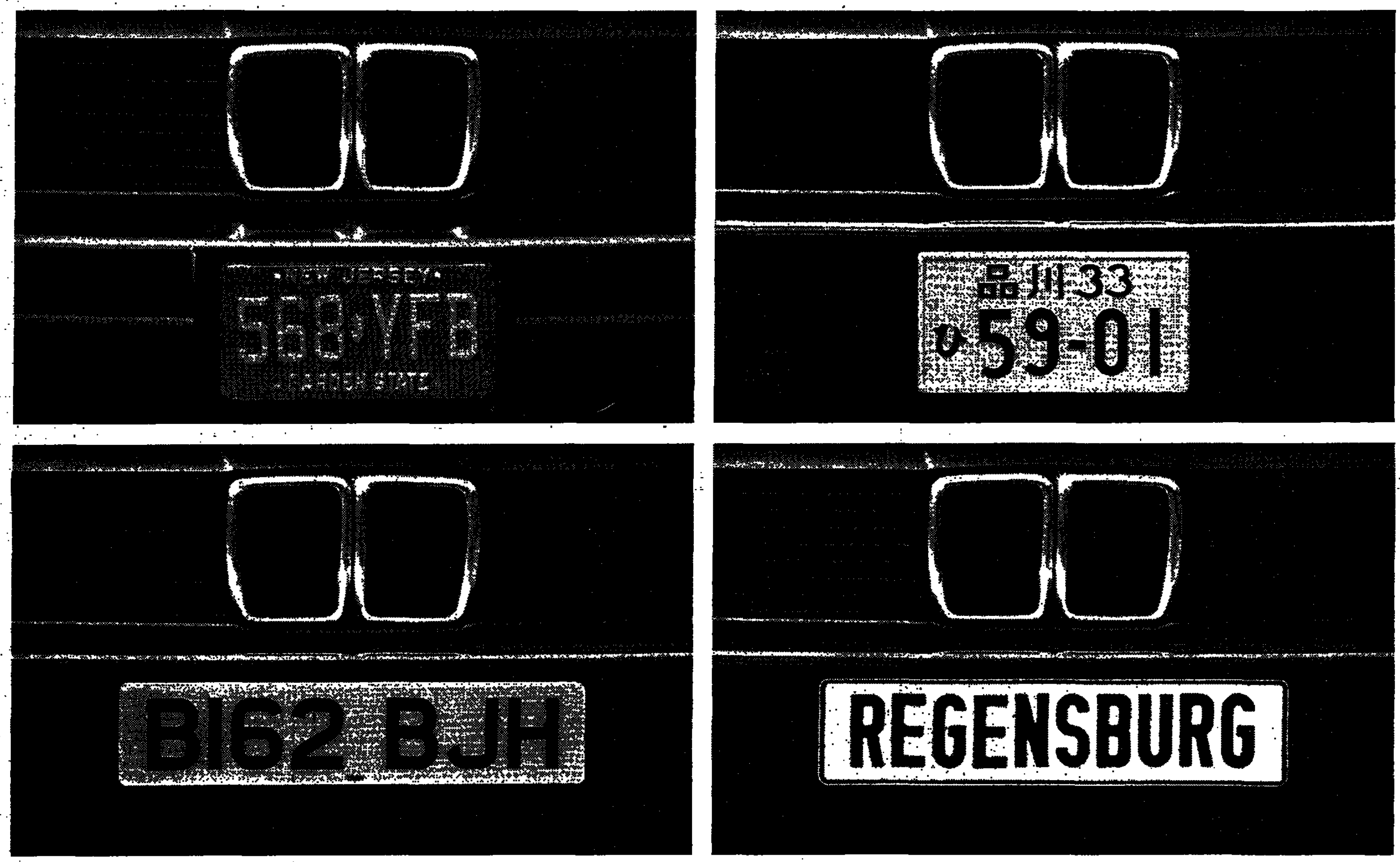
Mr McGuinness, who denies being chief of staff of the IRA, does admit in the film being "involved actively on behalf of my people against the British forces of occupation."

Mr Paul Hamann, the producer of the programme, said that both the Royal Ulster Constabulary and the British Army knew the programme was being made. It was filmed during the recent local elections in Northern Ireland in which 59 Sinn Fein candidates were elected. Many of the events shown have already appeared in news bulletins.

"It is a legitimate piece of reporting," said Mr Hamann who has made seven other documentaries about Northern Ireland.

BMW Report and Accounts 1984.

We've given success the broadest possible basis: the world.



1984 was once again a particularly good year for BMW.
With significant plusses in production, sales, turnover and profits, as the impressive balance sheet figures demonstrate.
And although BMW was the only German manufacturer to increase its domestic sales in 1984, this latest success was in itself the result of a much broader long-term strategy that extends far beyond the borders of the Federal Republic of Germany.

**BMW is an international name.
And the difference between domestic and export sales ceased to exist a long time ago.**

Even ten years ago it was becoming increasingly obvious that the world's most important markets were growing along similar lines and, together with them, the demands and attitudes of their consumers.
And this uniformity in buyer expectations that's already apparent today, leaves no doubt that in future big organisations will only succeed if they constantly look on their domestic activities as an integral part of their international business and marketing efforts.
BMW has never taken the simple opportunistic approach towards exports.
We have always seen them as a conscious ongoing development of a worldwide infrastructure that forms the key to long-term success.
Our 12 wholly-owned subsidiaries all over the world make that abundantly clear.

"Made in Germany" quality with "BMW engineered" technologies is enjoying ever-growing popularity with discerning, quality-conscious motorists everywhere.

And the vote in favour of BMW exclusivity is particularly striking in such important car markets as the USA, Japan and Great Britain.
Just take one example: with worldwide sales of 287,000, the BMW 3-Series was again the world's no. 1 exclusive compact car in 1984.
And the figures for the first six months of 1985 show that it again has a decisive lead over all its competitors.

We're also looking forward to another typical BMW year in 1985.

The turnover of BMW AG for June 1985 was 24.6% up on the previous year, whilst the figures for the overall organisation were up 18.3%.
Orders also present a positive picture. Equally, despite an atypically sluggish start, the domestic market is now on the upswing again.
And there's also another typical BMW statistic: during 1985 we expect to create yet another 1,400 new jobs.

As planned, investments will also increase significantly during 1985.

Considerable sums have again been earmarked for the continuous product development and improvement programmes, as well as for ongoing production line optimisation.
Other important investment areas include the research and engineering facility at Munich and the new plant at Regensburg, which is due to go on stream in the autumn of 1986.

**The way we have guided the successful development of our company up to now, is also the way we intend to continue:
with realism, dedication, and with that degree of optimism that's inseparable from the pleasure of driving.**

Consolidated financial statement for BMW AG

Balance sheet at 31.12. (in million DM)	1984	1983		1984	1983
Assets			**Liabilities**		
Physical assets	2,166	2,217	Net worth	1,760	1,595
Financial assets	245	270	Special reserves	185	175
			Registered profit vouchers	50	39
Stocks	724	791	Pension commitments	697	580
Trade debtors	148	131	Other provisions	1,878	1,489
Liquid funds (including securities)	1,436	759	Long-term liabilities	279	346
Owed by group and associated companies	839	693	Trade creditors	720	625
Other assets and prepaid expenses and deferred charges	339	333	Other liabilities and accrued expenses and deferred income	163	201
			Unappropriated profits	165	144
Balance sheet total	5,897	5,194	Balance sheet total	5,897	5,194

Profit and loss account (in million DM)	1984	1983
Sales	12,932	11,481
Changes in stock and own work capitalised	− 38	+ 74
Overall output	12,894	11,555
Material expenses	6,915	6,221
Personnel expenses	2,793	2,472
Depreciation	708	717
Other income and expenditure (balance)	1,455	1,237
Taxes	693	620
Annual surplus	330	288

BMW at a glance

Group sales (world-wide)	million DM	16,484.1	+ 17.5%
BMW AG sales	million DM	12,931.6	+ 12.6%
Car sales	units	434,266	+ 2.8%
Motorcycle sales	units	33,912	+ 19.9%
Employees, Group (world-wide)		51,931	+ 3.5%
Employees, BMW AG		44,692	+ 3.5%
Investment in physical assets, BMW AG	million DM	663.8	− 17.1%
Annual surplus, BMW AG	million DM	329.6	+ 14.4%

The full financial statement at 31 December 1984 of Bayerische Motoren Werke AG and the BMW Group complies with s. 329 of the AktG (Corporation Law) and has obtained the auditor's unconditional confirmation.
It has been published in the Bundesanzeiger.
The dividend of DM 12.5 per share of DM 50 confirmed for 1984 at the General Meeting on 11 July 1985 in respect of the participating share capital of DM 600 million will be paid at the offices mentioned in the full announcement in the Bundesanzeiger of 12 July 1985 immediately on submission of profit participation voucher No. 35, after deducting 25% capital gains tax.
Chairman of the Supervisory Board: Hans Graf von der Goltz

Board of Management: Eberhard v. Kuenheim, Chairman, Volker Doppelfeld, Dr.-Ing. Hans Hagen, Hans C. Koch, Franz Köhne, Dr. Eberhard von Koerber, Deputy, Dr. Helmut Schäfer.

Munich, 12. July 1985 THE BOARD OF MANAGEMENT

Bayerische Motoren Werke Aktiengesellschaft, Munich

BMW AG

BASE LENDING RATES

A.B.N. Bank	12 %	Heritable & Gen. Trust	12 %
Allied Dunbar & Co.	12 %	■ Hill Samuel	§12 %
Allied Irish Bank	12 %	C. Hoare & Co.	12 %
American Express Bk.	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Johnson Matthey Bkrs.	12½ %
Amro Bank	12 %	Knowsley & Co. Ltd.	12½ %
Associates Cap. Corp.	13 %	Lloyds Bank	12 %
Banco de Bilbao	12 %	Edward Manson & Co.	13 %
Bank Hapoalim	12 %	Meghraj & Sons Ltd.	12 %
BCCI	12 %	Midland Bank	12 %
Bank of Ireland	12 %	■ Morgan Grenfell	12 %
Bank of Cyprus	12 %	Mount Credit Corp. Ltd.	12 %
Bank of India	12 %	National Bk. of Kuwait	12 %
Bank of Scotland	12 %	National Girobank	12 %
Banque Belge Ltd.	12 %	National Westminster	12 %
Barclays Bank	12 %	Northern Bank Ltd.	12 %
Beneficial Trust Ltd.	13½ %	Norwich Gen. Trust	12 %
Brit. Bank of Mid. East	12 %	People's Trust	13 %
■ Brown Shipley	12 %	PK Finans Intl. (UK)	13 %
CL Bank Nederland	12 %	Provincial Trust Ltd.	13 %
Canada Permanent	12 %	R. Raphael & Sons	12 %
Cayzer Ltd.	12 %	Roxburghe Guarantee	12½ %
Cedar Holdings	13 %	Royal Bank of Scotland	12 %
■ Charterhouse Japhet	12 %	Royal Trust Co. Canada	12 %
Choulartons**		■ J. Henry Schroder Wagg	12 %
Citibank NA	12 %	Standard Chartered	‖12 %
Citibank Savings	¶12½ %	TCB	12 %
City Merchants Bank	12 %	Trustee Savings Bank	12 %
Clydesdale Bank	12 %	United Bank of Kuwait	12 %
C. E. Coates & Co. Ltd.	12½ %	United Mizrahi Bank	12 %
Comm. Bk. N. East	12 %	Westpac Banking Corp.	12 %
Consolidated Credits	12½ %	Whiteaway Laidlaw	12½ %
Co-operative Bank	*12 %	Williams & Glyn's	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
E. T. Trust	13 %		
Exeter Trust Ltd.	12½ %		
First Nat. Fin. Corp.	13½ %		
First Nat. Secs. Ltd.	13½ %		
■ Robert Fleming & Co.	12 %		
Robert Fraser & Ptns.	13 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.75%. 1 month 9.5%. Top Tier—£2,500+ at 3 monthly notice 12%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8¾% gross.
‖ 21-days deposits over £1,000 10%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8½%.

UK NEWS

Britoil offer may get £460m tag

BY DOMINIC LAWSON

THE GOVERNMENT'S financial advisers are expected tomorrow to fix and underwrite the price at which the state's remaining 49 per cent stake in Britoil is to be sold.

The prospectus is likely to be published immediately and would-be investors will have seven days to make their applications with an initial payment of £1 a share.

The offer price is expected to be at about an 8 per cent discount to the prevailing London market price – which was 207p at Friday's close. This suggests an offer price of between 185p and 190p, valuing the shares to be sold at about £460m. In November 1982 the Government sold 51 per cent of the equity at 215p per share but the issue flopped with 70 per cent of the shares left with the underwriters.

A chief reason for that result was the gloomy statements at the time from leading members of the Organisation of Petroleum Exporting Countries (Opec). Lazard Brothers, the merchant bank handling the sale for the government, has waited until the peaceful conclusion of last week's Geneva meeting of Opec ministers before proceeding with the sale of the second tranche.

A City of London oil analyst said yesterday: "The underwriters are going to have an uncomfortable few days. It will not take much fresh bad news from Opec to sabotage the issue."

Shares will be offered on a prospective yield of about 10 per cent, markedly more generous than the rest of the oil sector but brokers point out that institutional investors are not committing new money to the oil sector so the money for the Britoil shares will have to be weaned from other quoted oil stocks.

Oil analysts re-worked their arithmetic over the weekend after Britoil's unexpected decision on Friday to downgrade its two-week-old 1985 net profits forecast by £5m to £185m.

Britoil's reason was the continued strength of the pound against the dollar, the currency in which oil is traded, but one broker said yesterday: "It seems silly to go to the embarrassment of changing a yearly profit forecast on the basis of two week's movement in the currency markets."

Medical monopoly 'blocks health reform'

A POWERFUL attack on the way in which the monopoly power of the British medical profession blocks all improvements which could benefit National Health Sevice (NHS) patients is published today, writes Robin Pauley.

Dr David Green, research fellow at the Institute of Economic Affairs, says this monopoly power blocks the path of all reformers whether they merely seek detailed improvements within the NHS or more radical reforms to promote competition in health care supply.

Dr Green concludes, "Any effort to restructure the National Health Service in order to manipulate the environment in which doctors function in the hope of inducing different, and particularly less self-interested, professional conduct is likely to fail. Such measures will not succeed unless professional monopoly is replaced by competition among doctors."

He argues that one of the chief reasons that state regulation of the medical profession has so often benefited producers at the expense of consumers is that governments have failed to take account of the self-seeking nature of professionals.

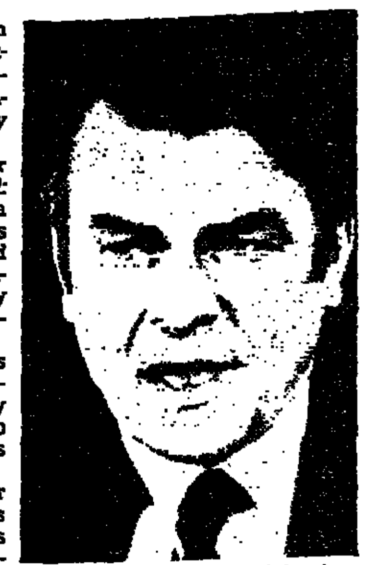
Dr Green says professional power in the doctors' cartel in both the public and private sectors rests largely upon legal privileges "unwisely granted by the state."

The restrictive and anti-competitive practices of the medical profession, even when they are not enforced by government agencies, are immune from the general law against restrictive practices.

Which Doctor: £2.50. IEA 2 Lord North Street, London SW1.

SDP urges ban on all new loans for South Africa

BY PETER RIDDELL, POLITICAL EDITOR


Dr David Owen: "risk of British isolation"

AN EEC-WIDE statutory ban on new bank loans and new investment in South Africa by Community companies is proposed this morning by the Social Democratic Party (SDP) in a new policy document.

Launching the statement, Dr David Owen, the party leader, said: "Britain should be working for a common European position in its policies towards South Africa, and actively identifying with the excellent resolution put forward by France to the United Nations Security Council."

He gave a warning that there was "a grave danger of Britain becoming isolated in the world community if the Government associates so completely with President Reagan's policies."

The document rejects the call for disinvestment, which it regards as impractical. Instead, the SDP urges a ban on new loans and new investment along the lines of Swedish legislation as the best way of breaking the present log-jam and applying pressure on South Africa.

The suggested legislation should enable the European Commission to grant exemption from the ban where companies can demonstrate that their participation will have a direct and advantageous effect on education, training, and human and economic development for black South Africans.

Moreover, the current voluntary EEC code of conduct for companies already investing in South Africa should be considerably strengthened to ensure European companies treat their black South African employees without discrimination, provide training and community development and allow free trade unions to operate.

In addition to the current arms embargo, the SDP urges Britain to initiate, with its European partners, an embargo on sales to South Africa of high technology know-how and products.

ASSI plans sale of UK paper interests

BY TONY JACKSON

ASSI, the Swedish paper group, is to sell off its UK paper interests. The two businesses offered for sale, Smith Stone & Knight and Birmingham Waste, have a combined turnover of £18m.

ASSI acquired the businesses as part of its purchase of UK quoted company Dolan Packaging in 1977. The move represents not a withdrawal by the Swedish group, but a shift of emphasis to the rest of the Dolan group as part of a Europe-wide strategy.

With sales of £10m, Smith Stone & Knight has a yearly capacity of around 50,000 tonnes, putting it around 20th among UK papermakers by size. Some 85 per cent of output consists of corrugated boxes, and the entire output is based on waste paper.

All of the waste paper is supplied by Birmingham Waste – though in turn, only half of Birmingham Waste's output goes to Smith Stone.

Mr Gordon Whitehead, Dolan's managing director, said: "There is no reason why the two businesses should not be sold separately, if we get a better deal that way – they are both independently profitable. But my own view is that they are more logical as a pair."

For ASSI, the logic is clear. The Swedish group is a big European supplier of kraftliner, the basic strong brown paper used in cardboard packaging.

The group has lately been seeking to strengthen its position in West European markets, and has acquired corrugated board makers in Denmark, Switzerland and Germany as captive outlets for the kraftliner it produces in Sweden (where it has around 25 per cent of the kraftliner market).

Besides the two companies for sale, the rest of Dolan's £50m turnover consists of corrugated cases, with ASSI not quite the only, but certainly the main supplier of kraft liner. It is this side of the business which ASSI aims to build up.

This puts ASSI alongside a number of other Scandinavian and North American forest product companies who are building up their UK interests as captive outlets for their basic domestic output. Two months ago, for instance, U.S. group Georgia Pacific cancelled plans to sell its UK subsidiary Inveresk, deciding instead to build it up as an outlet for its pulp production.

Similarly, the Bridgewater newsprint mill on the river Dee in North Wales takes most of its pulp from its Canadian owner, Consolidated Bathurst, and UK Corrugated – in the same business as Dolan – takes much of its kraftliner from its Canadian joint owner, Macmillan Bloedel.

Perhaps because the UK paper industry has suffered such a sharp decline in the past two decades, foreign producers are viewing the UK market with a new interest. The one area in which they have nothing to offer is in waste-based products, where the raw material is all domestically produced. ASSI's decision to sell Smith Stone and Birmingham Waste is, therefore, logical, and by no means signals a retreat.

Vauxhall 'takes bigger fleet market share'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD'S DOMINATION of the company car fleet market is under heavy pressure from Vauxhall, the General Motors subsidiary, according to a survey by the British Institute of Management (BIM).

Two years ago a BIM survey found that Ford models accounted for more than half of cars in 40 per cent of company fleets. In the latest survey only one quarter of companies said they had Ford cars in their fleets.

By comparison, in 1983 Vauxhall models had more than half of the fleet in only 7 per cent of companies, but in the latest survey this had risen to 17 per cent.

A BIM spokesman said: "No doubt this can be attributed largely to the success of the Vauxhall Cavalier which mounted a challenge to Ford at a time when the Cortina was being phased out." He added that a company car seemed to be a permanent fixture in the remuneration package of many organisations.

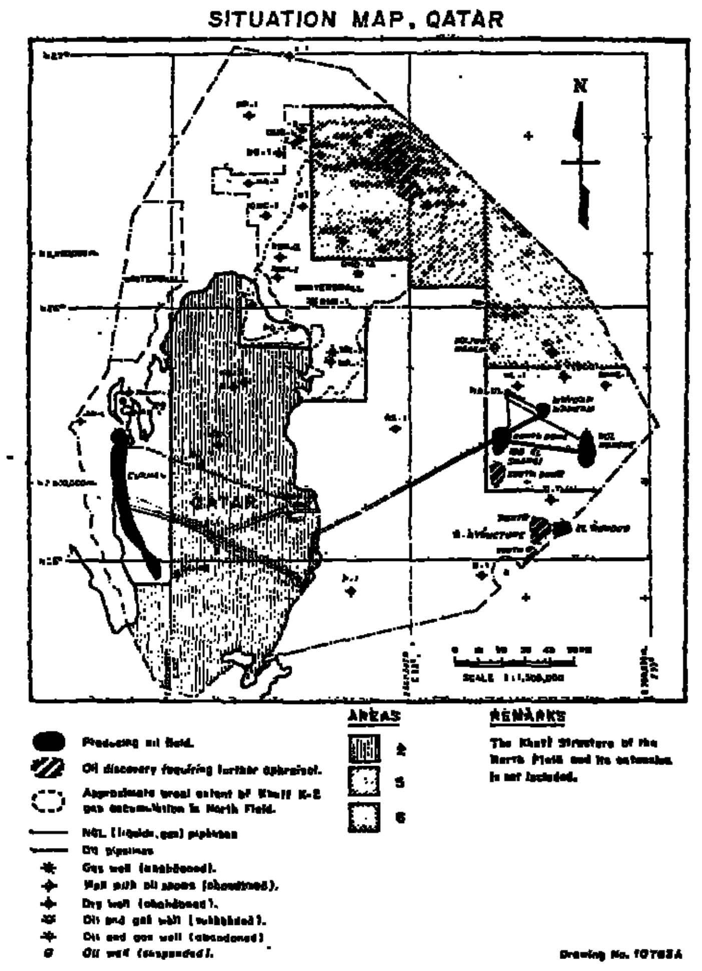
Contracts & Tenders

THE STATE OF QATAR

A Call for International Bidding

The Government of Qatar announces the opening of three areas (area 2, 5 and 6 refer to the attached map) for bidding under Production Sharing Agreement to explore, develop and xploit hydrocarbon substance. However, the existing Khuff gas bearing structure of the North Field and any extension that can be proven to be part of it is excluded. The following information may be of interest to bidders.

SITUATION MAP, QATAR



BIDDERS
Bidders should be International Oil Companies. They should supply evidence of their technical and financial competence.

AVAILABLE DATA
Raw data for the open areas will be made available to bidders. Technical experts from oil companies will be allowed to examine available data in Doha.

MODEL CONTRACT
A model contract, as a basis for future negotiations. will be available and can be handed over to intersetd bidders.

DEADLINE
Bidders are expected to submit their bids by October 31, 1985 at 12.00 o'clock Doha time.

Mailing Address: Director, Department of Petroleum Affairs
Ministry of Finance & Petroleum, P.O. Box 2233, Doha, Qatar (Arabian Gulf)
Telephone 413571. Telex 4891 QATPET DH. Cable PETROFAIRS DOHA

INVITATION TO TENDER

London Regional Transport Bus Services

Following the successful initial route tendering exercise, London Regional Transport invite tenders for the operation of a second series of bus routes, currently operated by London Buses Ltd.

As before, these routes will continue to be marketed as an integral part of the London Regional Transport network. Under the contract process, London Regional Transport will maintain a number of controls over the services. Contractors will also have to comply with all safety, maintenance and financial requirements under the PSV licensing regulations.

The ten routes involved are:

Bus 79A	Edgware – Alperton
Bus 125	Winchmore Hill – North Finchley
Bus 127/A	Streatham Hill/Tooting Broadway – Purley
Bus 145	Chingford/Ilford – Dagenham
Bus 179	Chingford – Barking
Bus 195	Charville Lane Estate – Hanwell
Bus 200	Raynes Park – Streatham Hill
Bus 268	Golders Green – Finchley Road Station
Bus 275	Barkingside – Walthamstow Central
Bus 283	West Brompton – East Acton

Routes 268 and 283 may well be suitable for a high-frequency, smaller bus type operation.

If you're interested, please contact Nick Newton on 01-227 3811 for specifications and a tender application, or write to him at:

Group Planning Department, London Regional Transport, 55 Broadway, LONDON SW1H 0BD.
Tender closing date – 2 September 1985.

LONDON REGIONAL TRANSPORT

NOTICE OF REDEMPTION TO HOLDERS OF CREDITANSTALT-BANKVEREIN US $75,000,000 15½% BONDS DUE 1990

Notice is hereby given that in accordance with condition 4 (c) of the Bonds and clause 5 of the Paying Agency Agreement dated 29th July, 1982 between Creditanstalt-Bankverein (The Issuer) and Chemical Bank (the Principal Paying Agent), the Issuer hereby gives the required three years notice to redeem all the Issuers 15½% Bonds due July 1990. The date set for redemption is 29th July, 1988 and the Bonds will be redeemed at 101% of the principal amount plus accrued interest. On and after 29th July, 1988 the bonds will cease to accrue interest. Payment will be made against surrender of the Bonds, together with all appurtenant coupons maturing after the date fixed for redemption, at the offices of the Paying Agents.

Chemical Bank
Principal Paying Agent

Dated: 29th July, 1985

NOTICE OF REDEMPTION TO HOLDERS OF XEROX FINANCE NV 100,000,000 14PCNT NOTES DUE AUGUST 15, 1987

Notice is hereby given that in accordance with Condition 7 (A) of the 14% Notes and Paragraph 4 (E) of the Fiscal and Paying Agency Agreement dated August 15, 1982 between Xerox Finance NV (Issuer), Xerox Corporation (Guarantor) and Chemical Bank (Fiscal and Paying Agent), the Issuer elects to redeem all of its 14% Notes due August 15, 1987. The date fixed for redemption shall be August 15, 1985, and the Notes will be redeemed at 101% of the principal amount plus accrued interest. On or after August 15, 1985, interest shall cease to accrue. Payment will be made upon presentation and surrender of the Notes, together with all appurtenant coupons maturing after the date fixed for redemption at the offices of the Paying Agents.

CHEMICAL BANK
Fiscal Agent on behalf of
XEROX FINANCE NV

Dated July 29, 1985

NATIONAL COAL BOARD
US$100,000,000
8% Guaranteed Bonds 1987
US$50,000,000
8⅞% Guaranteed Bonds 1988

Holders of the above Bonds are advised that the Annual Report and Accounts for 1984/85 of the National Coal Board are available for inspection at the office of S. G. Warburg & Co. Ltd., 33 King William Street, London, EC4R 9AS.
29th July, 1985

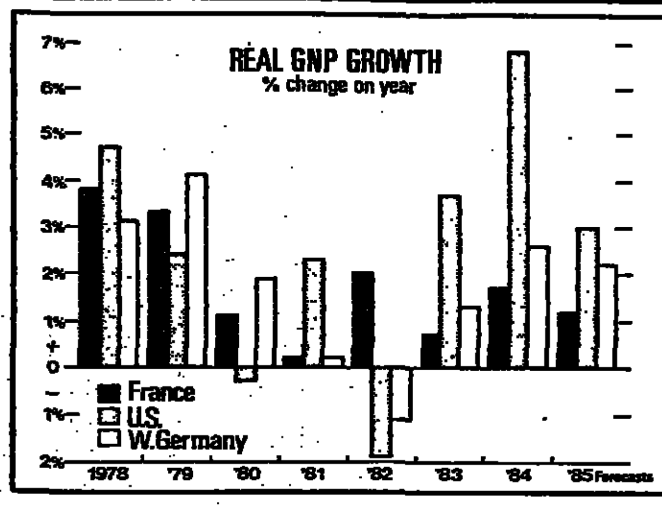
BANQUE NATIONALE DE PARIS
U.S.$12,500,000
Floating Rate Notes due 1988
(Series B)

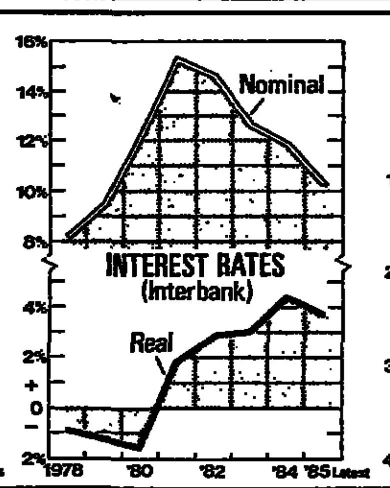
NOTICE IS HEREBY GIVEN that the rate of interest for the period 25th July 1985 to 27th January 1986 has been fixed at 8¹⁄₁₆% per annum.

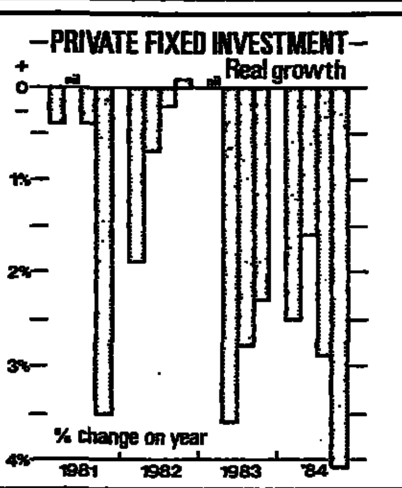
On 27th January 1986 interest of U.S.$221.20 per U.S.$5,000 nominal amount of the Notes, and U.S.$2,211.98 per U.S.$50,000 nominal amount of the Notes will be due against Interest Coupon No. 8.

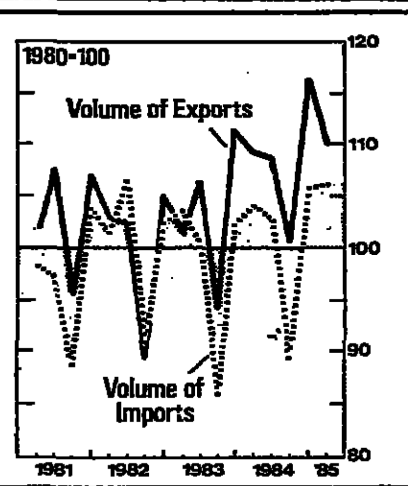
SWISS BANK CORPORATION
INTERNATIONAL LIMITED
Reference Agent

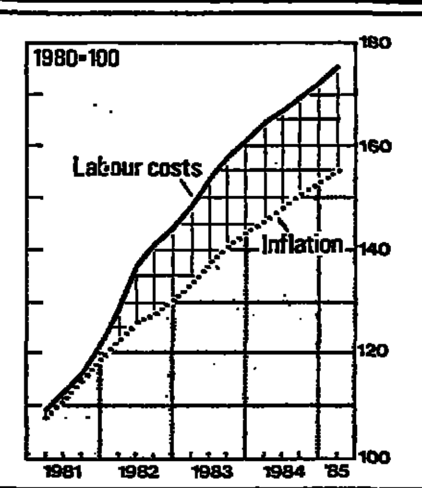
STATISTICAL TRENDS : FRANCE

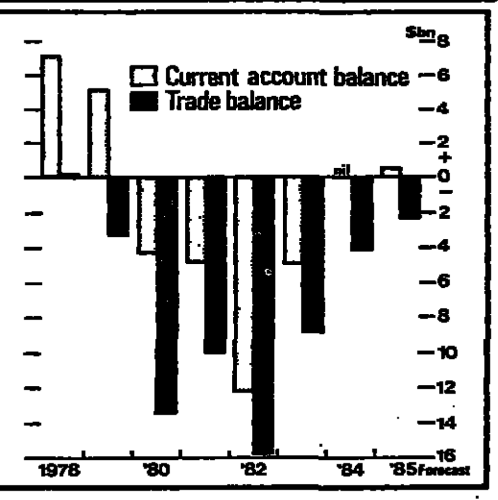


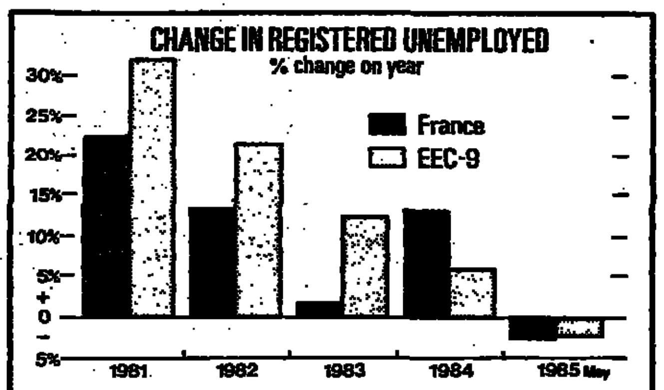


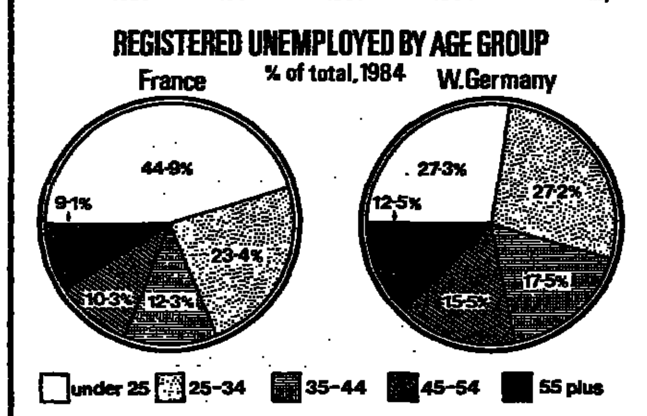


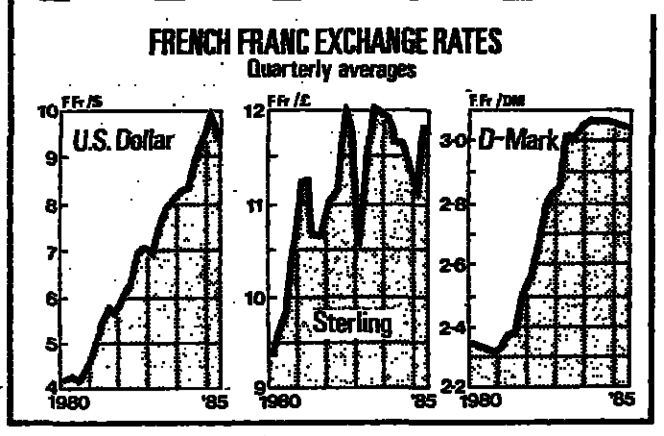












Economy hit by slow growth and high rates

Slow economic growth and increased interest payments on public debt have recently become two of the French economy's major problems. Real Gross Domestic Product (GDP) increased by 1.7 per cent in 1984, mainly because of more exports, and is forecast to grow by only 1.2 per cent in 1985, which is about half of the expected rate of growth for the whole of the EEC.

Domestic demand, which was stagnant in 1984, should grow slightly in 1985 but export growth may weaken, and the downward trend in fixed investment is likely to continue.

On the positive side, inflation has fallen from a peak of about 13 per cent in 1980-81 to a little more than 7 per cent in 1984 and is forecast to fall to 6 per cent in 1985. Wage rises have moderated and real labour costs have scarcely risen in the past two years.

As in most other European countries, unemployment in France has increased sharply since 1979. While the rate of increase slowed in the EEC in 1984, the rate of French unemployment rose markedly from 8.3 per cent to 9.7 per cent. However, early figures for 1985 suggest a return to the previous trend with a levelling off in the rate of unemployment.

France has a much higher proportion of young people out of work than other EEC countries—45 per cent of the unemployed in France are under 25 compared with 27 per cent in West Germany—and this underlines the importance of recent job training schemes for young job seekers.

The government deficit exceeded its target of 3 per cent of GDP in 1984 with much of the upward pressure coming from the increased interest payments on the debt.

EEC calculations show that interest payments of 1.6 per cent of GDP in 1980 had doubled by 1984 to an estimated 3.2 per cent of GDP. It was in 1980 that nominal and real interest rates rose above the rates of growth of nominal and real GDP.

The structural budget (cyclically adjusted) showed a small surplus until 1981 then moved into deficit in a period of fiscal expansion and the pressure from the rising cost of debt servicing. But more recent tighter fiscal policy has restored it to almost a balanced position.

Both the current account and the trade account have been improving since 1982 with the current account expected to show a small surplus in 1985 and the trade deficit being reduced to $2bn.

This reflects the growth in the volume of exports which increased by 8 per cent between 1982 and 1984 while the volume of imports remained static. The greatest improvement was in the balance of trade with the U.S. Durning 1982 to 1984, France gained 3 per cent of the increased import growth of the U.S. and expanded from $5.3bn to $7.5bn its exports to the U.S. This brought the French-U.S. trade account into balance.

The French franc, along with the other European currencies, fell markedly against the dollar over the 1980 to 1984 period and has benefited from the recent period of dollar weakness. Within the EMS, it remained stable against the D-Mark throughout the period from mid-1983, trading at an average rate of about DM 3.05.

The French Stock market has outperformed nearly all of the other major markets over 1983 and 1984 with the CAC General Index rising by almost 100 per cent over this period. This compares with rises of between 50 per cent and 60 per cent in the UK and West German markets.

Overseas investors helped to support the rise in the market as did the stability of the French franc.

Commentary by Our Economics Staff; data analysis by Financial Times Statistical Unit; charts and graphs by Financial Times Graphics Department.

PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY IN MANUFACTURING INDUSTRY

	1980	1981	1982	1983	1984*
Prices of value-added	10.9	10.0	13.1	7.7	7.3
Hourly wage rate	15.3	15.7	16.2	11.1	7.9
Weekly working hours	−1.6	−1.2	−2.8	−1.1	−0.9
Employment	−1.2	−3.2	−2.2	−2.5	−3.3
Hourly productivity	2.1	2.5	5.1	5.6	6.2
Unit labour costs	12.8	12.8	10.5	5.8	2.1

* Commission staff estimate. Source INSEE.

COMPARATIVE STOCK MARKET PERFORMANCE

January 1982=100

	End of quarter	France	Germany	UK
1982	1	102	105	103
	2	102	102	105
	3	98	102	113
	4	99	110	121
1983	1	109	127	131
	2	121	137	142
	3	133	137	143
	4	148	151	148
1984	1	158	151	164
	2	166	147	157
	3	172	152	167
	4	177	161	184
1985	1	202	179	198
	2	223	205	197

Source: Financial Times.

SHARE OF INCOME IN U.S. IMPORTS

1984-86 %	
Developing countries	25
Developed countries	71
EEC	18
Germany	6.1
Italy	3.3
France	3.1
UK	1.7

Source: OECD

TOTAL DOMESTIC DEMAND

% change on year

	U.S.	Europe	France
1980	−1.2	1.6	1.7
1981	3.1	−1.8	1.1
1982	−1.2	0.9	2.5
1983	5.0	1.0	0.5
1984	8.7	1.7	—
1985*	3.7	1.7	0.5

* Forecast.
Source: OECD

DEMAND, OUTPUT AND PRICES

% change on year, volume (1970 prices)

	1982	1983	1984	1985	1986
Private consumption	3.5	1.1	0.5	0.6	1.5
Government consumption	*2.5*	*1.8*	*0.9*	*0.5*	*1.0*
Gross fixed investment	−0.6	−2.1	−2.0	—	2.5
Total domestic demand	4.1	−0.5	0.7	0.7	1.7
Exports (goods and services)	−2.2	4.0	7.1	5.0	5.0
Imports (goods and services)	6.3	−0.9	2.9	3.2	4.2
GDP (market prices)	2.0	0.7	1.7	1.2	2.0

Source: OECD

INFLATION

% change on year

	France	UK	Germany	U.S.
1978	9.1	8.3	2.7	7.7
1979	10.8	13.4	4.1	11.3
1980	13.6	18.0	5.5	13.5
1981	13.4	11.9	6.3	10.4
1982	11.8	8.6	5.3	6.1
1983	9.6	4.6	3.3	3.2
1984	7.4	5.0	2.4	4.3
1985*	6.1	6.4	2.3	3.6
1986*	5.6	5.3	2.5	5.3

* Forecasts.
Source: OECD/Simon & Coates

COMPETITIVENESS

1980=100

	Relative unit labour costs	Relative wholesale prices	Effective exchange rate
1979	97	96	99
1980	100	100	100
1981	95	94	89
1982	91	90	81
1983	87	87	74
1984	86	85	70

Source: IMF

GENERAL GOVERNMENT FINANCIAL BALANCES

% GNP/GDP

	1979	1980	1981	1982	1983	1984	*1985
U.S.	0.6	−1.2	−0.9	−3.8	−4.1	−3.4	−3.7
Germany	−2.7	−3.1	−3.8	−3.4	−2.8	−2.3	−1.5
France	−0.7	+0.2	−1.8	−2.7	−3.1	−2.9	−3.2
UK	−3.2	−3.9	−3.2	−2.3	−3.5	−4.0	−3.6

* Forecast.

STRUCTURAL BUDGET BALANCE

% GNP/GDP

	1979	1980	1981	1982	1983	1984
U.S.	1.2	0.7	1.6	0.9	−0.2	−0.5
Germany	−2.3	−2.5	−2.4	−0.9	0.5	1.7
France	−0.8	0.8	−0.2	−0.6	−0.7	−0.1
UK	−3.2	−1.1	1.8	3.3	1.6	2.0

Source: OECD

PUBLIC DEBT

% GDP

	1975	1976	1977	1978	1979	1980	1981	1982	1983	†1984	*1985
Net borrowing	2.2	0.5	0.8	1.9	0.7	−0.2	1.8	2.6	3.3	3.4	3.6
Of which interest payments	1.3	1.2	1.4	1.4	1.5	1.6	2.1	2.2	2.5	3.2	3.2
Level of debt	25.8	24.7	25.2	26.3	26.2	25.0	26.5	30.0	30.4	33.3	36.5

† Estimate. * Forecast.
Source: EEC Commission

UNEMPLOYMENT RATE

%

	France	Germany	UK	Italy	EEC-9
1980	6.4	3.0	6.9	7.5	6.0
1981	7.3	4.4	10.6	8.3	7.8
1982	8.1	6.1	12.3	9.0	9.2
1983	8.3	8.0	13.1	9.8	10.2
1984	9.7	8.6	13.2	10.2	10.8

Source: OECD

TRADE

	Exports (fob) $bn 1982	1983	1984	Imports (cif) $bn 1982	1983	1984
Total	92.4	91.2	93.1	115.4	104.9	103.4
EEC	45.0	44.8	45.5	54.8	52.2	52.1
U.S.	5.2	5.8	7.5	9.1	8.1	8.0
Japan	1.1	1.1	1.0	3.1	2.7	2.7

Source: OECD

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Standard Chartered

Trying to make 'more of the hand we have'

David Lascelles on the strategy of the least known major UK bank

THE SMART new granite and glass building nearing completion in Bishopsgate in the heart of the City of London is to be the new home of Standard Chartered Bank. And a fine home it should be too, with a five-floor atrium sprouting trees and exotic plants.

The question is whether the move into such grand headquarters from scattered buildings in the back streets near Monument will be matched by a similar gain in standing for what might be described as the least known big bank in the UK.

Standard Chartered, under the chairmanship of Lord Barber, the former Tory Chancellor, is trying hard to change. Most people remember it for its attempt to buy Royal Bank of Scotland in 1981, a move designed to redress the imbalance of its colonial past which has left it with hundreds of branches in far-flung, hot countries — and only 26 in the UK.

That particular bid was thwarted. But Standard Chartered still wants to have its feet planted more evenly between the Third and First Worlds. It took a big step in that direction last year when it finally became a UK clearing bank. That in turn gained it admission to the holy of holies of UK banking: the Committee of London Clearing Bankers, or the Committee of London and Scottish Clearing Bankers as it will now be known.

"It used to be said that the typical Standard Chartered man had a Scottish name, joined the bank at 18 and served as an expatriate in 15 countries. It is not like that here any more," says Michael McWilliam, the group chief executive who only half fits the mould. He has the Scottish name and the colonial background (born in Kenya and a stint in overseas government). But he also went through a City apprenticeship at merchant bankers Samuel Montagu, before joining the bank 20 years ago.

Standard Chartered certainly has the makings of a greater banking force in the industrialised world, though as McWilliam admits: "The problem is making more of the hand that we have. We need to do some catching up." The bank called in the management consultancy Booz Allen and Hamilton whose report last winter now forms the basis of much of the bank's strategy.

Standard Chartered's balance sheet of £34.5bn ranks it number five in the UK, hence its claim to be the "fifth force in UK banking" after the Big Four clearing banks—Barclays, NatWest, Midland and Lloyds. It owns Union Bank, a large bank in California, which it bought for $376m in 1979. It also has extensive interests in financing, leasing and precious metals (it is the majority owner of Mocatta and Goldsmid, one of the five London bullion houses).

Convenient

Other evidence of its steady geographical shift was the decision last April to reduce its stake in South Africa. By declining to participate in a rights issue by Stanbic, its 51 per cent-owned subsidiary, it cut its interest to 42 per cent and reclassified Stanbic as an "associate" company. There were sound business reasons for doing this: banking in South Africa has not been very profitable recently (though Stanbic did better than most), and the change helped Standard Chartered's capital ratios. However, as McWilliam concedes, the move was also politically very convenient, coming as it did when South African lending has become a hot public issue.

Already, Standard Chartered's shift may be bigger than many people realise. Since the Stanbic move, the bank earns more profits in North America than South Africa. The contribution of Europe is also rising. But the picture is somewhat more complex than that.

Apart from tax reasons, the rationale for turning more towards the industrialised world is to balance a presence in some of the world's riskier regions with solid, stabler markets. But Standard Chartered's strong presence round the Pacific rim—the world's biggest growth region—is a major asset many other banks hanker for. That presence extends from Union Bank on the U.S. West Coast, pore, Hong Kong (where Standard Chartered is almost as much part of the establishment as the Hongkong and Shanghai Banking Corporation) and up to Japan. The bank is also among the small group of 16 foreign banks recently admitted to Australia.

The task of developing a business in mature markets is also not that easy. Standard Chartered has boosted its operations on the European Continent (where it has £90m of its £1.6bn of shareholders' funds) by hiring senior bankers from Continental Illinois' European management team. The Union Bank acquisition has also been one of the most successful U.S. bank acquisitions by a British bank.

But the big challenge remains the UK market, where management is mulling over a whole raft of ideas.

One would be to bid for the Royal Bank again. To do that Standard Chartered would have to notify the Government of its intentions first under the terms of the 1981 agreement. McWilliam does not speak optimistically of his chances. "If we tried to do that again, there would be the same uproar," he says, referring to the strong Scottish resistance to outside ownership of financial institutions.

Another is to buy Yorkshire Bank, the highly profitable Leeds-based bank owned by the UK clearers. But McWilliam does not see any of them parting with such a prized asset, particularly to a potential competitor.

He prefers to encourage speculation that Standard Chartered will seek an alliance with a building society. The bank already has two working arrangements with building societies, the Bristol and West, and the Northern Rock to supply banking services to their customers. But if the proposed new legislation on building societies goes through, they will be able to transform themselves into joint stock companies capable of being bought.

Chartered Trust, the finance house subsidiary, is also going into the "money shop" business to extend the bank's reach into the retail markets.

Trevor Humphries

Lord Barber (left) and Michael McWilliam: want their feet to be planted more evenly between the First and Third Worlds

On another front, Standard Chartered's acquisition of Midland and International Bank Limited (MAIBL), a consortium bank, in 1982 boosted its presence on the capital markets and corporate finance business, where it was already venturing with its subsidiary, Standard Chartered Merchant Bank. But the bank is taking a low-key approach to the City Revolution, which is reshaping the securities market and bringing together banks and securities firms. Although it spoke to several Stock Exchange firms it has not formed an alliance with any of them.

Patrick Macdougall, the merchant bank's new chief executive, says he prefers to see others "be the guinea pigs." He expects there will be plenty of opportunities to enter the new securities markets much more cheaply once the initial—and possibly bloody—wave of competition is past. However, the merchant bank will expand its existing gilt-edged dealing business and Euromarket activities. An investment management side is also to be built up by two experienced City men recently hired from merchant bankers Lazards — Michael Benson and Geoffrey Dutton—and more are on their way.

But as Standard Chartered's plans develop, it becomes less of a bank and more of a loosely-knit, extended group of activities—which is forcing McWilliam to consider how it should be managed. He favours what he calls a federation in which the various parts maintain some independence within parameters set by the top. So taken is he by this idea that he has framed an extract from the 1787 Federal Papers of Alexander Hamilton, the early American statesman, and hung it on his office wall.

Standard Chartered's efforts to do better have not yet, though, yielded better results in the profit and loss account. Although the "bottom line" has shown a general, if erratic upward trend for some years, earnings per share have fallen sharply since 1981. Loan problems in many of the bank's traditional markets are largely to blame, including Hong Kong and Latin America. The bank has also been vulnerable to the recession in large African countries like South Africa and Nigeria. This has tarnished its image, particularly in the investment community.

That could be changing though. There are indications from inside the bank that the interim figures due out on August 20 will be much better. That message seems to have got through to the stock market where a string of favourable analysts' reports have recently boosted the share price.

However, Standard Chartered is still not in its new building, and the transformation of its business is still something more spoken of than seen. And some sceptics may still need convincing that the bank really is on a new road.

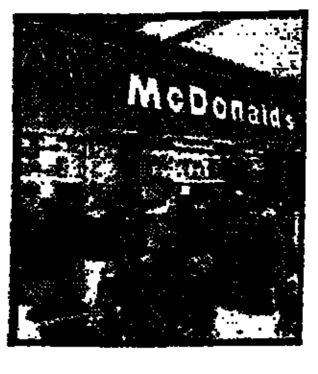
Corporate alliances

A two-edged sword

BY CHRISTOPHER LORENZ

WHEN THE relationship of McDonald's with its French franchisee, Dyan, collapsed in 1982 after a dispute about quality standards, the American hamburger giant was faced overnight with a major competitive threat from its former ally.

Anglo-Saxon visitors to Paris were decidedly amused that Dyan chose to christen its new chain of fast-food hamburger restaurants with the singularly peculiar name of O'Kitch. But for McDonald's the bitter reality was that it had suddenly lost 14 well located outlets in the French capital, and that it was forced to start from scratch in a market which was rapidly approaching saturation.



McDonald's: discovered the problems of falling out with a franchisee

The speed with which corporate alliances can turn sour is underlined in stark terms in the latest issue of Long Range Planning*. Alliances may now be the rule, rather than the exception, in international business, but so are the problems of operating them, warns Barrie James, head of marketing development in Ciba-Geigy's pharmaceutical division.

Just like the military, companies depend heavily on the use of alliances in modern combat, James argues. The rising cost of battlefield conflict, the need to match the resources of rivals, and the global nature of conflict all require the greater use of alliances — not just for growth, but for survival.

Types of alliance licensing vary widely, and include joint ventures, franchising, private label agreements, the forging of common standards, consortia, and simple buyer-seller deals. But, says James, the success of all of them depends on the ability of the partners to sustain their mutuality of interest.

Among the factors which have spurred the current spate of alliances are difficulties — both political and financial—in gaining market access: the need to fund, exploit or acquire new technology; and the sheer lack in many industries of an alternative, other than surrender.

In Japan the complexities of import regulation, tariffs, product standards and the distribution system have made direct market penetration a difficult and costly undertaking for western companies, James points out. But there are plenty of similar examples in the reverse direction. Takeda's joint venture with Abbott in the U.S. and with Roussel in Europe to market its drugs have helped it cope with the complexities of health care regulatory agencies, as well as with distribution systems which are very different from those in Japan.

In the pharmaceutical, chemical and electronics industries, product licensing has also become a key weapon, both in securing access to low-cost manufacturing technology, and in gaining control over the use to which a company's own technology is put.

In the first category James cites the example of Bendix, which transfers its machine tool technology to Murata in Japan in order to gain the advantage of production costs which are 30 per cent cheaper than its own, and then takes delivery of the finished product from Murata for sale in the U.S.

Under the second heading he claims that RCA's failure to license its colour television technology to Japan in the 1950s, with accompanying controls over market access, encouraged the Japanese to decimate the U.S. TV market in the late 1960s and 1970s. By contrast, Pilkington's widespread licensing-out of its float glass process "forestalled much larger companies from developing competitive technology . . . and enabled the company through significant licensing fees to become a major force in its own right."

In many industries, James says, "competition has reached a point where, apart from surrender, only two options are open to companies if they wish to survive—either form an alliance with other contenders or join the competition."

The European Airbus consortium, which successfully competes with Boeing, McDonnell-Douglas and Lockheed, is a prime example of the first type. An instance of the second is the way that Western chemical countries have linked their product innovation with low-cost production technology. Searle's artificial sweetener, Aspartame (NutraSweet), uses low-cost production expertise from the world's largest producer of amino acids, Ajinomotox.

Though alliances are now becoming a sine qua non of business strategy, James underlines the drawbacks to their use and limits to their value. "Accountability is weak; communications are often slack; and decision-making takes too long and is frequently tackled in an ad hoc manner—all of which causes severe operating problems."

As examples, James points to the Anglo-German-Italian Tornado multi-role combat aircraft, which ran well over budget, and the collaborative development of the System X telephone exchange design by British Telecom, GEC and Plessey, which suffered considerable technical delays.

As a final sting in the tail, James also warns that temporary alliances to protect long-term independence may weaken rather than strengthen a company's activities, since it can lose the ability to produce a fully integrated product. Critical proprietary information can easily flow to alliance partners, and a partner may become too dependent on another company for essential components, making it vulnerable to others which possess a broad base.

While alliances can be useful competitive manoeuvres, James concludes, they are a means to an end rather than an end in themselves. They must be treated as a part, not the core, of a company's strategy.

* *The Journal of the Society for Strategic and Long Range Planning and of the European Planning Federation. Published bi-monthly by Pergamon Press, Headington Hall, Oxford OX3 0BW, England. Annual subscription $200 (incl. postage).*

TECHNOLOGY

EDITED BY ALAN CANE

New effort to develop tougher paint for ships

BRITISH RESEARCHERS are trying to produce new types of paint for ships that are resistant to scrapes and bangs experienced, for example, during docking.

Ship hulls are routinely painted to make them withstand corrosion. But the coating may easily be knocked off in operations such as hauling up an anchor and loading or unloading at the quayside.

This type of abrasion will also make the hull's surface rougher, adding to the resistance the ship encounters as it travels through water. That increases fuel costs.

International Paint, at its laboratories in Gateshead, is working with the University of Manchester Institute of Science and Technology on new types of polymers that could increase the toughness of marine paint.

The Department of Trade and Industry is contributing about a quarter of the £400,000 cost of the three-year programme.

According to Dr David Scantlebury, lecturer in corrosion science and technology at UMIST, synthetic polymers or fibrous materials such as glass fibre could be added to paint to increase resistance to abrasion.

The UMIST and International Paint researchers are examining a variety of materials to test the degree to which they absorb energy when added to paint.

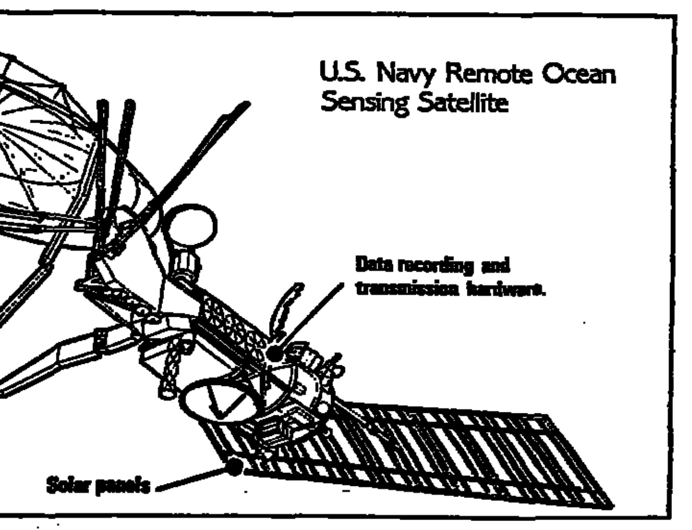
They are also evaluating the forces that are set up when a ship experiences a knock or a scrape. Different impacts, for instance, a glancing blow from dockside crane or a full-scale ramming by another vessel, are likely to lead to a variety of combinations of stresses which will remove a layer of paint in different ways.

Researchers have attempted to measure these forces aboard vessels while they are at sea or in a harbour. The next job is to set up laboratory rigs in which they can replicate the types of impact, in order to test the new formulations for paint that may emerge over the next few years.

PETER MARSH

Satellites set for valuable role in exploitation of the oceans

Information from space about the seas will soon provide valuable data to offshore industries, shipping and fishing, reports Peter Marsh



THE WORLD'S shipping and offshore industries are due to obtain in the 1990s a potentially valuable new set of tools in the shape of information from outer space.

A battery of satellites, now on the drawing boards of the world's aerospace designers, will relay to ground stations data about the oceans, for example details about wave heights, fish-breeding areas or sites hit by oil spills.

With such information, a shipping company could work out route patterns to avoid storms or icebergs, so saving fuel. Trawler fleets could receive a new set of data to guide them to the best fishing areas.

Scientists and administrators are, however, far from clear about the best way in which to channel useful information from the spacecraft to suit the needs of users.

The extent to which commercial entities, rather than government organisations, should be in charge of making available the data to customers is still a subject of debate.

Much further scientific work is required to understand basic facts about the oceans, for example the links between measurable phenomena such as surface temperatures and patterns of weather and of water currents.

Moreover, the different countries planning the new generations of satellites need to get together over the next few years to co-ordinate their activities so that duplication of effort is minimised.

These issues are discussed by the Office of Technology Assessment, an agency of the U.S. Congress, in a report on civilian space activities.

Satellites a few hundred kilometres above the Earth in polar orbits travel over the whole of the globe as the latter turns on its axis. Loaded with appropriate instruments, the space hardware can obtain valuable information about activities on the surface.

The spacecraft send to receiving station data collected by sensors. The best known such vehicles are the U.S. Landsat series, which take pictures of land areas with high-resolution cameras.

Satellites to discover details about the sea use other sensors, for instance altimeters to measure the heights of waves, radar instruments to capture images of the sea surface through clouds and radiometers. The latter obtain, for instance, infrared radiation to provide information about heat losses from the ocean surface.

The most advanced satellite so far built to detect information about the oceans was the U.S.'s Seasat, operated by the National Aeronautics and Space Administration and launched in 1978. It lasted only a few months due to a technical fault. Nonetheless, the data the spacecraft returned to Earth remains of considerable value to scientists studying the oceans.

It is strongly rumoured that the data from Seasat, which comprised radar images of the ocean surface, was accurate enough to be of use to military planners.

Defence scientists have for years speculated that, with satellites which record "ripples" in the oceans caused by the movement of enemy submarines they could keep track of such vehicles which otherwise are most difficult to locate.

Japan plans next year to launch a Marine Observation Satellite, purely for civilian use, that will provide details of objects as small as 50 metres across. The craft will use sensors that record radiation in the visible and infrared bands.

The European Space Agency and Canada are due to launch satellites in 1988 and 1990 that will scan the oceans with radar, providing data about, for instance, wave heights and the positions of icebergs.

In the U.S., Nasa is proposing a further ocean-sensing satellite that would be operated jointly with France. The Topex/Poseidon craft would stay in orbit from 1990 to 1993 and would, among other things, measure ocean currents and map the sea floor.

The U.S. Navy plans its own remote-sensing craft, called N-ROSS, some data from which would be available to the civilian community.

Chief applications for the satellites, according to the OTA report, are:

● Understanding the weather. The world's climatic system is dominated by the behaviour of the oceans. Data about a variety of factors such as the speeds of currents and wind, sea level and ocean temperature could greatly help scientists seeking a greater understanding of long-term weather patterns and also people producing short-term forecasts.

Such details are at present collected piecemeal by instruments on buoys dotted about the world's sea areas and by sensors on the current generation of polar orbiting weather satellites, which both the U.S. and Soviet Union operate.

● Marine transportation. The most critical factor is wave heights. Warnings of fog, rain, extreme currents and so on could also aid shipping enterprises in route planning.

● Offshore prospecting. Many of the areas which appear suitable sites for undersea mining (in which companies would extract nuggets of manganese and other metals from the sea floor) are away from major shipping lanes. Data about the areas is difficult to collect.

In oil and gas production, companies that run drilling rigs and supply vessels could benefit from information about weather.

● Surveillance and enforcement. Police and national-security departments could obtain valuable information about, for instance, illegal fishing.

● Fisheries. Companies in this area of commerce could benefit from sensors that record visible radiation scattered from the sea. Such data provides clues as to the chlorophyll content of oceans (a factor related to fish breeding areas) and sites of pollution. With other sensors, scientists can calculate further details, such as the degree of salinity.

International Co-operation and Competition in Civilian Space Activities, Office of Technology Assessment, U.S. Government Printing Office, Washington DC.

Cheaper fibre optics may hit satellite sales

COSTS IN optical-fibre technology will fall at a faster rate than in techniques to transmit information by satellite, according to the Office of Technology Assessment (OTA), an agency of the U.S. Congress.

This, the agency suggests, could affect how telecommunications companies and governments plan new telephone and data networks for the 1990s.

One consequence could be a fall in the market for communications satellites, an area where U.S. companies dominate (see table).

The OTA, in a report on civilian space activities, say that "rapid advances in fibre optic technology have now convinced many experts that fibre optic cable will eventually be less costly than satellites over substantial distances."

Most long-distance data traffic is carried by satellites, for instance Intelsat's network of spacecraft 36,000 km above the equator.

Satellites have for some years had the upper hand in cost terms over cables. Once a government or telephone company has paid the high capital sum needed to inject the craft into orbit, the cost of transmitting information is virtually constant, irrespective of the distance between receiving and transmission stations.

For conventional coaxial cables, the cost of information transfer increases in rough proportion to the distance. Not only does the telecommunications operator need to pay out for greater lengths of cable, it also has to provide amplifiers (repeaters) to boost the strength of the signals along the route.

Advances in optical fibres are changing this equation by greatly reducing transmission costs with this technology.

Researchers are also perfecting the materials used in the glass "walls" of the fibres to reduce the extent to which they absorb light rays. This in turn increases the amount of information that can be sent.

Fibre optic cables have three clear technical advantages over satellite-based transmission techniques, says the OTA report, though these may not be crucial in international telecommunications applications.

Fibres suffer from shorter signal delays, they are free from electrical interference and they are less prone to electronic techniques by which people attempt to eavesdrop on transfer of data or telephone conversations.

To offset these factors, with the current state of the art in satellite and fibre optic technology, international satellite transmission offers two advantages. It is easier to send by this method large amounts of information simultaneously—the technique lends itself better to "broadband" operations—and it is often simpler to link up satellite messages into networks involving a large number of reception points.

PRIME CONTRACTORS FOR COMMERCIAL COMMUNICATIONS SATELLITES

Company	Country	Actual 1965-83	Planned 1984-89
Prime contractors: (First launch 1983 or before)			
Hughes Aircraft	U.S.	45	33
Ford Aerospace	U.S.	10	10
RCA Astro-Electronics	U.S.	9	27
TRW Defense and Space Systems	U.S.	8	0
British Aerospace Dynamics	UK	4	9
Melco/Ford Aerospace	Japan/U.S.	3	1
C.N.S.	Italy	1	1
Spar Aerospace/Hughes Aircraft	Canada/U.S.	1	3
Total		81	84
Additional prime contractors: (First launch 1984 or later)			
Eurosatellite	West European Consortium		5
Melco (Mitsubishi Electric Co.)	Japan		4
Toshiba/GE	Japan/U.S.		3
Spar Aerospace	Canada		3
Matra Space	France		2
Aerospatiale (with Ford Aerospace)	France/U.S.		2
Siemens/MBB/ERNO/AEG/ANT	West European Consortium		2
Total			21
Prime Contractor not yet selected:			45
Grand total		81	150

Source: Office of Technology Assessment

Computer aid for soccer

MANCHESTER UNITED is to revamp its football club management using a computer from Synchro of Newcastle-under-Lyme, which specialises in computer equipment for the leisure industry.

The £190,000 installation will enable the club to plan ticketing arrangements, keep accounts for operations such as catering and run the financial procedures for a lottery.

Synchro had to work out special suites of software that would be compatible with the club's working routines. The system is to be based on an ICL computer linked to 12 terminals.

Other first division football clubs already using Synchro computers systems are Aston Villa, Arsenal and Tottenham Hotspur.

Logica wins Ethiopia deal

LOGICA, one of Britain's leading computer companies, has won a contract to help the Ethiopian Ministry of Industry to introduce modern electronic technology to improve planning and control of budgets.

Under the contract, awarded by the United Nations Industrial Development Organisation, the British company will identify pilot projects in which computer technology could play a part.

Electricians safety move

WORKERS at the Battelle Memorial Insitute's Columbus Laboratories in Ohio are trying to improve the protective clothing worn by people who repair high-voltage electricity lines.

The laboratories have completed the first phase of a study for the Electric Power Research Institute which identified the need for more flexible and lighter gloves and sleeves to protect workers from electric shocks.

Architecture/Colin Amery

Failing to fortify the under forties

An important part of the critic's role is to search diligently and regularly for new talents. In the field of architecture this is a complex and difficult process for two reasons. First of all it is difficult for architects to get their first buildings built, and second, a talent for drawing or ideas at a school of architecture does not necessarily mean a talent for building.

At present in this country younger architects have quite a hard time getting started. In his preamble to the current exhibition of the work of 40 architects under 40 at the Royal Institute of British Architects (until August 23) the former President, Michael Manser calls them "the lost generation." He feels that they have been afflicted by the poor economic performance of the country since the war and what he predictably calls "obsessive conservation."

Certainly there have not been the architectural opportunities in this country on the scale of developments in America or Japan. There are enormous opportunities now in places like Docklands in London or the reconstruction of Merseyside but they have not been seized by younger architects of the first rank.

In the search for talented designers the competition and the exhibition both provide opportunities for display without the need for actual commissions. The idea of an exhibition of the ideas of the top 40 younger designers at the Royal Institute is a good one. It is a pity that it has been so poorly carried out.

It is a show sponsored by Ibstock Building Products and selected by three architects not under 40 and the chairman of the sponsoring company. The architects, Michael Manser, Adrian Gale and Richard Rogers, were the selectors. The idea has been poorly served by the presentation of the exhibition. Because it has been designed for travelling, each entrant is limited to three identical panels of laminated drawings and photographs.

The display skills within such a small compass determines the success of each architect and, alas, these skills are clearly severely limited. One of the assessors of the show, Adrian Gale, writes in the catalogue of his disapointment at the standard of entries and criticises the failure of the architects to see the panels as a piece of design in themselves.

Allowing for this sense of deep disappointment in the appearance of the exhibition, it does give an opportunity to assess at one time a range of work of younger practitioners. There is a sensitive and careful conversion of a water mill in Hertfordshire into light industrial premises by Richard Collinge. For some unexplained reason there is the set of Coronation Street designed by the architect Ken Moth. The design of the proposed Jubilee Hall in London's Covent Garden by James Monahan and Martin Dyke-Coombs is an interesting extension of the idea of an arcaded facade adding to a listed market building. The range is large.

It is possible to divide the work into clearly defined schools of current thought. There are the regional vernacularists—usually adding to old buildings or converting them. There are the late followers of the technological school. One of these has designed what he calls the house of the future—one Robert Barnes—who certainly enhances his ideas by setting the house in a landscape painted by Cezanne. There are some classical revivalists, of whom more later, and then there are some uncertain characters who try to combine all three approaches. Alongside these three schools are those younger architects who follow the masters of the moment and draw or design as well as, say, James Stirling, but have not had his run of luck.

I am quite happy to stick my neck out and say which of the 40 I consider likely to be worth commissioning and so giving them the opportunity to stretch their talents.

What one is looking for is a sense of design integrity in whatever style the architect happens to have adopted. Of the boys who have gone for the classical, Robert Adam (well named) and John Simpson both have an elegant consistency. Neither of them has quite that strain of originality that turns classicism into something live and well—yet. I would single out the work of a firm called David Chipperfield and Kenneth Armstrong who have designed two small studios in London. From the presentation in this exhibition they have a real sense of controlled design and spatial expansiveness that looks most promising. More mannered, but clearly architects to watch, are Hugh Cullum and Richard Nightingale. The section of a house in Hampstead and a modest renovation job both look to contain the seeds of serious architectural achievement. Trevor Horne is one of the most promising younger architects in the country—his care and calm design skills shine through. He won the Durham Oriental Museum competition and it is sad that lack of funds prevents this scheme from being erected.

At the Royal College of Art summer exhibition there were two outstanding young talents on display. Thomas Croft, an intelligent and cool designer with a sense of history, and Stephen Pimbley who draws beautifully and has that rare gift of absorbing historical influences, reinterpreting them and coming up with something completely original.

He also has something that is in demand and as yet rarely found, a sense of decorative power. His enthusiasm for arts and crafts architects like James Maclaren certainly shows in his work but it is intelligently absorbed. I like his presentation and his interest in designing furniture and graphic skills. There are plenty of reasons for optimism with younger talents like these coming out of some of the schools. Stephen Pimbley is clearly an artist who has opted for architecture — the best route for the future improvement of design.

Frankenstein/Covent Garden

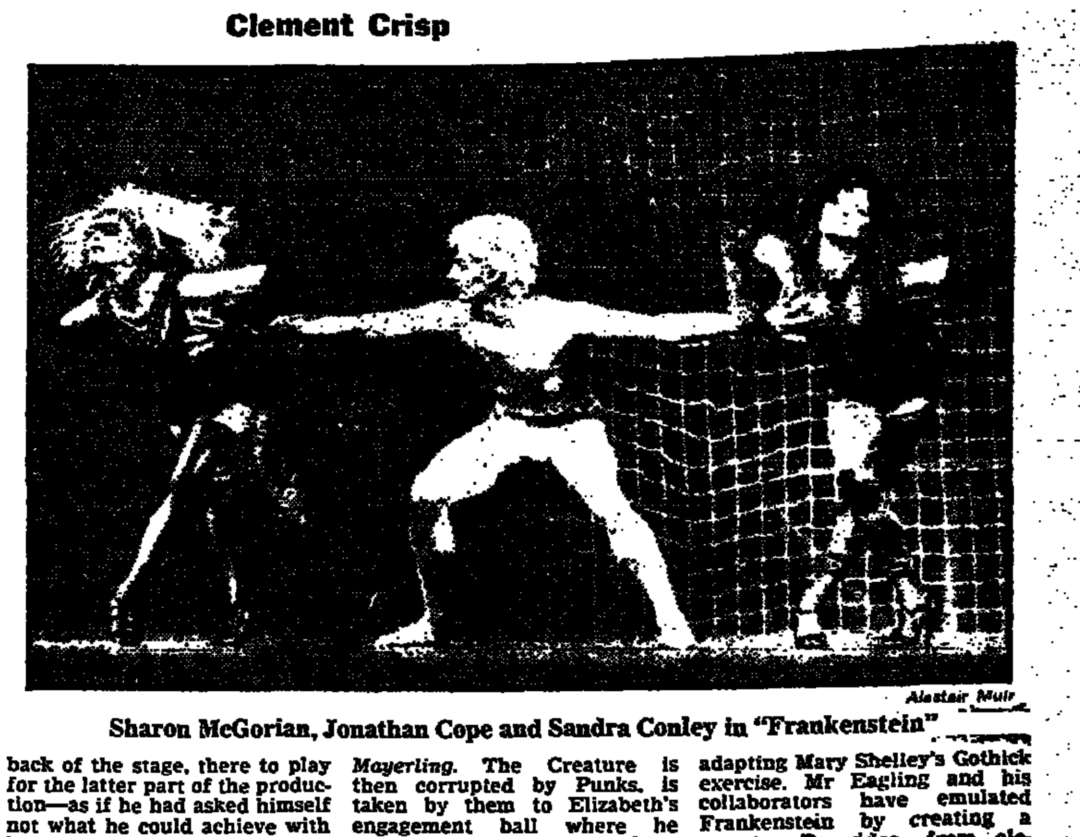
Clement Crisp

It is time once again for us to arm ourselves with pitchforks and flaming brands and make for Schloss Covent Garden. Up there the Baron has created a new Monster, and for the sake of dance, art and our national ballet, it had better be stopped in its tracks. The Thing is owed to Wayne Eagling as choreographer; to a gentleman named only as Vangelis, who created its sound-track; and to the dress-makers, Emanuel, who outfitted it. There is also a scenarist, Antonia Douro, who plotted its activities, and the person thanked by the choreographer in the pragramme as "Tocky the Tart."

These are the tamperers with balletic life who have cobbled together *Frankenstein, the Modern Prometheus*, given its first performance on Friday night, whose closest link with its putative source is the fact that it is a misbegotten piece of vulgarity with intellectual pretensions. As a creation for the Royal Ballet I would venture to diagnose it as the worst symptom yet of the company's present menopausal *crise*.

Mr Eagling has not previously tested his wings with a work for a professional ballet company, but he has been given the run of the Opera House, whose stage he uses better than his dancers. (I would note that at the recent Royal Ballet press conference, Peter Wright told us that two dancers in his Sadler's Wells troupe proposed making first ballets, for which they have been each allocated £1,000 in order to try out their creative skill, while on tour.)

The merits, such as they are, of *Frankenstein* have to do with Mr Eagling's ability to explore the resources of the Opera House's machinery—trap-doors disgorging dancers; the orchestra rising on a lift at the back of the stage, there to play for the latter part of the production—as if he had asked himself not what he could achieve with his cast to develop his theme, but what he might expect from scenic tricks to bolster his scant movement invention.



Alastair Muir

Sharon McGorian, Jonathan Cope and Sandra Conley in "Frankenstein"

The dances for Doctor Frankenstein (Stephen Jefferies), for Elizabeth, his betrothed (Lesley Collier), and for the Creature (Jonathan Cope) are unenterprising, and risible when the Creature first comes to life and launches into a mild classic solo before flinging himself in an access of affection at the good Doctor. The Creature's subsequent attempt upon Elizabeth's virtue is a merry cross between *The Perils of Pauline* and the meatier sections of *Mayerling*. The Creature is then corrupted by Punks, is taken by them to Elizabeth's engagement ball where he strangles her, then stabs himself, leaving Frankenstein understandably miffed.

These Promethean fatuities are accompanied by a nugatory score from Mr Vangelis, electronic banalities succeeded by glutinous orchestral writing which suggests that somewhere a deodorant commercial is mute. The costuming by Mr and Mrs Emanuel contrives to be generally garish, and inglitzy ballroom outfits whose complexities do not "read" in effectual as stage dress in the the theatre. The Rocky Horror Show, Mel Brooks' *Young Frankenstein*, told of the enjoyment to be found in adapting Mary Shelley's Gothick exercise. Mr Eagling and his collaborators have emulated Frankenstein by creating a monster Pop-video, from elements modish and mediocre.

The *Bayadère* that followed —Minkus never sounded more like balm to the ears; the appearance of the Shades was never more theatrically sure — brought the Opera House debuts of Alessandra Ferri and Phillip Broomhead. Miss Ferri was a careful, somewhat nervous Nikiya, whose dances looked numb. Mr Broomhead has the latent power to make something bold of Solor: effects can be bigger, more forceful, and he merits further performances in which to strengthen and refine his promising first reading.

Bayreuth Festival

David Murray

This summer's Bayreuth Festival began, characteristically, with an announcement that the leading tenor in the new *Tännhauser* (René Kollo) had begged off at the last moment, rather later than the already-fled soprano (Gabriele Benacková). Thus the formula for Wolfgang Wagner's production contained three unknown quantities: as the hero Richard Versalle, an American late starter in his early fifties, as Elisabetn young Cheryl Studer—who learned the role in eight days—and concealed in the pit Giuseppe Sinopoli, another Bayreuth débutant.

The event proved to be no more than the sum of its parts, but at least it was a tidy sum, for Wagner's austere, stately production could not have been tidier. He and Sinopoli chose to use grandfather Wagner's Dresden version of the opera (or rather versions, incorporating variants from up to 1860), keeping the brief Venusberg ballet instead of the overweening Baccanale devised for Paris. Certainly the orchestral and harmonic style of the Dresden score is more consistent; whether that can disguise the fact that *Tannhäuser* faces two ways at once is another matter.

As Dieter Borchmeyer argues in a fine essay in the programme-book (Bayreuth's trilingual programmes are more lavish than ever), Wagner conceived his hero originally as a bold defender of flesh-and-blood love against bloodless idealisation — Venus represents carnal good sense, not profane evil. Yet at the crux he plunges into self-recrimination and a frenzy for "atonement"; the breach is never healed. Perhaps that very confusion explains the poignant allure *Tannhäuser* had for our great-grandparents. At any rate it stands baldly unresolved in this production; the old Wagner himself remarked famously that he "still owed the world *Tannhäuser*."

Where Windgassen used to wrench one's heart, Versalle makes a tame, carefully cultivated protagonist. He has a true tenor ring, a little restricted but bright; his modelled phrasing takes no expressive risks. One could call his Venus, Gabriele Schnaut, voluptuous; one could also remark a certain stridency in *forte* and a threatening beat in the voice, but the audience seemed not to object.

Miss Studer's Elisabeth has the considerable appeal of blooming vocal youth — a generous, full-throated sound, very innocent, inclined to plaintiveness. Her dramatic powers are not taxed: she watches the contest in the Hall of Song with her back to us, and in the last act she is kept immobile as the pilgrims pass, *not* scanning their faces in search of Tannhäuser (why is that natural, touching business sacrificed?). Wolfgang Brendel, whose staunch Germont I admired in Munich, is an even better Wolfram, virile and sonorous.

There is a majestically smooth Landgraf in Hans Sotin, and Brigitte Lindner is properly fresh and boyish as the Shepherd; among the lesser minstrels Robert Schunk's impassioned Walther stands out. There was some booing for Iván Markó's erotically busy dance-troupe — presumably on grounds of decorousness, but then the objectors cannot have seen some previous Bayreuth Bacchanales. The chorus was as always superlative.

Sinopoli's conducting was continuously interesting, without the tics and lapses that have made his London performances debatable. The feverish colours of the lustful and anguished music were rendered brilliant and light, the processional woodwinds smoothly pungent; and he was scrupulously solicitous for his singers. What eluded him was the mellow, measured pace of parts of the score. There was always a hint of impatient hustle: in the rhetorical periods of this early-Romantic Wagner, full-stops became mere semicolons, semicolons commas, commas scarcely marked.

The difference between what is headlong and what is held back is important to Wagner's musical realisation of *Tannhäuser's* contrasting realms, and that was blurred. Otherwise Sinopoli's reading had distinction and refinement enough to assuage hostile expectations. Perhaps he found Bayreuth's extensive rehearsal-time a particular boon.

Upon the visible action one can hardly comment except to report that it is minimally efficient but ultra-static, without any dramatic stroke or surprise. There is some modest visual play with the notion that Venus and the sainted Virgin, before whose statue Tannhäuser and Elisabeth genuflect, are guises of a single spiritual power. Wolfgang Wagner is as usual his own designer: upon permanent concentric rings the Venusberg flatly recalls the once-vital discoveries of post-war Bayreuth, the last act echoes brother Wieland's *Parsifal* wood all too closely, and the Wartburg hall has suspended golden arches which at once conjure up Wieland's *Tannhäuser* and the MacDonalds logo.

The revival of *Parsifal* in Götz Friedrich's production, conducted again by James Levine, was generally more stirring despite Levine's inordinately slow tempi for the outer acts. Act 1 was imposingly sustained, even if Levine perversely rejected Wagner's carefully judged opportunities to leaven the pious stillness with a quickened pulse; Act 3 was deliberately pointed at the start, a little bland in the Good Friday music and decidedly mild for the choral outbursts against Amfortas.

The Friedrich staging remains a puzzle—respectably straight in the outer acts, but suddenly ironical and alienating in Klingsor's castle: a discotheque-brothel with plastic ornaments and demi-monde Flower Maidens, up-to-date surveillance apparatus for Klingsor and a set of warriors like comic clockwork gnomes. Levine rushed through the Flower Maidens' carolling (at some cost to their ensemble) and stretched Kundry's scene—fervidly carried by Waltraud Meyer's lithe young Kundry, with a voice like a half-human electronic device—out of proportion to it.

Franz Mazura camped his Klingsor with relish. Simon Estes' Amfortas, committedly honest, somehow failed to wring any withers. Peter Hofmann's Parsifal has gained the maturity and gravity needed for the last act, without losing the attractive, vulnerable *persona* that is his trump as the younger Parsifal; but his timbre is now hardly recognisable as tenor, and a crypto-baritone hero is a disappointment. The tower of strength was Hans Sotin's Gurnemanz in unstinting lyrical flood, a grand performance to match with Kurt Moll's. A Bayreuth *Parsifal* is still an experience to treasure.

'Hockney Paints the Stage' at the Hayward

David Hockney's designs for the stage will go on show at the Hayward Gallery from August 1 to September 29, which will be the only European showing of the exhibition after its tour of America.

Hockney Paints the Stage covers all his work for this medium, beginning with his sets and costume designs for the Royal Court's production of *Ubu Roi* in 1966 and his designs for two Glyndebourne productions, *The Rake's Progress* and *The Magic Flute*.

Half the House/Covent Garden

Clement Crisp

In making her first work for the Royal Ballet at Covent Garden, Jennifer Jackson continues the manner shown in her *Common Ground* and *Median* for the Sadler's Wells troupe. The style is overtly plotless, but there are hints of themes and emotional attitudes which serve as armature for the dance. But where the two earlier works controlled the implicit message, nourishing the dance from ideas but never allowing it to be dominated by them, her new *Half the House* on Thursday suggests that the theme has exercised some paralysing effect upon the choreographic invention.

As programme note Miss Jackson offers a poem by Cavafy about spiritual growth, the breaking of law and custom, "the destructive act: half the house will have to come down" to arrive at wisdom. Brave words; bold details, but not obviously suited to examination in dance. A further problem exists in her choice of score—the Bartok Divertimento for Strings whose light outer movements frame the adagio centred upon a lengthy quotation from *The Miraculous Mandarin*. The sometimes fragmented form of the music, and its moments of folksiness, provide additional hurdles to choreographic realisation.

There results a ballet written for a central trio of Bryony Brind, Ashley Page and Mark Silver, with six attendant couples, half in blue, half in claret red, in which there seems a conflict of interest between message and means. I found nothing emotionally conclusive in the presentation of Cavafy's ideas, and a feeling of dynamic restraint about some of the dance invention. This is unusual in Miss Jackson's work, for her style in the past has shown a boldness and experimental energy in handling the developed classic language she adopts. By keeping both Cavafy and Bartok in the foreground of her imagination, Miss Jackson has not allowed her own individual and admirable voice to be clearly heard.

But that said, I have also to welcome a developing mastery in her handling of the cast, and more especially, to salute the middle movement which is in essence an exploration of the relationships between the central trio. They are shown in varied permutations and, in a duet for Miss Brind and Mr Page, ideas of attraction and seeming repulsion unfold in long lines of activity which suddenly break or turn with unexpected and fascinating accents. I cannot feel at a first viewing that *Half the House* has revealed all its secrets, but I wish that they were more obviously dynamic than thematic. The ballet is enhanced by handsome backcloths from William Henderson, whose first faint mottlings yield to jagged geometric shapes and a final blaze of vividly coloured forms; and by glowing costumes from Ella Huhne.

The programme, which was given in unexpected order with a muddled *Bayadère* as the final piece, began with *Birthday Offering*, which should by rights close an evening. It was irradiated by Antoinette Sibley and Anthony Dowell making their Opera House debuts in the central roles, Miss Sibley gleaming in assurance, exquisitely right in style, and both artists showing exactly how Ashton choreography should be presented—with wit, elegance, beautiful manners—in the central pas de deux.

InterContemporain/Albert Hall

Dominic Gill

Elliott Carter's new *Penthode*, given its world premiere at Friday's Prom by the Ensemble InterContemporain under Pierre Boulez, is one of the composer's most instantly engaging and accessible works. The theory, as usual, is complex. *Penthode* is the most recent in a line of pieces, dating back to the Double Concerto of 1961, in which Carter exploits the contrapuntal possibilities of several groups of instruments. *Triple Duo*, for example, heard at the Proms three years ago, combined three duos; *Penthode* combines five quartets.

Each group comprises a diverse assortment of instruments, so that none has a homogeneous timbral character: the groups are differentiated rather by the internal logic of their music — separate tempos, clearly defined groups of musical intervals. The writing has all of the customary Carter hallmarks: economy of disposition and utterance; taut, cohesive instrumental gestures; an acute ear for subtle juxtapositions of colour and contrast; an unstoppable momentum that takes hold of several simultaneous instrumental lines in different rhythms together and drives them relentlessly to a common goal.

But for all the complexity of the theoretical working, *Penthode* does not *seem* dense. It is in effect a single movement of 18 minutes of notable lightness and lyricism: an ode, idyll, elegy in which the string writing throughout, and especially that of the violins, has an almost Bergian passion and sweetness (one result of Carter's division into five groups is to give particular prominence to the violins). One might be tempted to talk of a Bergian surface: except that there is no surface to the music—it is all undercurrents, densely crowded, striking sparks, as well as quieter, more reflective colours, one from the other, as each moves intently towards its individual mark and common meeting point.

The composer mentions in this respect "experiences of connectedness and isolation." Though the same words could apply to many works of music, they do reflect a fundamental attitude which is instantly perceivable: a sense of a multitude of diverse forces, self-contained and independent, channelled towards a single point of lyrical focus. *Penthode* may not be a major Carter masterpiece, though it could be the precursor of one: but it will undoubtedly repay with pleasure much further listening and study.

Penthode was an Ensemble InterContemporain commission; the rest of Boulez's programme too had links with IRCAM in Paris. York Höller was one of IRCAM's first resident composers, and his *Resonance* for 27 players and four-track tape was prepared and written there. It's an elegant, imaginative, well worked piece in which the electronic elements still do not seem to me to sit quite comfortably with the live performance. That was nearly five years past, however, and electronic techniques at IRCAM have moved apace in recent years. I look forward with interest to hearing Höller's new piano concerto, to be premiered by Peter Donohoe with the BBCSO next December.

For Luciano Berio's *Corale* the EIC were joined by the Ensemble Orchestral de Paris. I have not generally found that Berio's series of *Chemins*, elaborations for ensemble of his *Sequenze* for solo instruments, add significantly to their originals, or even match their conciseness and pungency. *Corale*, in the same mould as the *Chemins*, based on the eighth *Sequenza* for solo violin, is an exception: from the original material, used like a ground-bass, emerges an effective and fully-fledged piece in its own right, quick, colourful and surprising.

The EIC's finale was Boulez's own *Eclat/Multiples* — a still tantalising revival of one of Boulez's several still unfinished works-in-progress. A luminous performance: nine soloists play non-sustaining instruments, including piano, cimbalom, harp and guitar, against, or in counterbalance to, a growing orchestral body of instruments which sustain their sounds. The scenes flash quickly past, but many of them are small miracles: of compression, of delicate, strenuous activity, of sudden quicksilver expansion, and from time to time of dark, sonorous weight. Other *Multiples* are due to be added: but the music stands so well as it is, and so conclusively, that few will complain if it remains in its present form.

Arts Guide July 26–August 1

Music

TOKYO

Chikuzan Takahashi (Shamisen recital): From the Tohoku region in northern Japan where much of the impetus in Japan's more interesting performing arts and cinema has originated. Chikuzan is blind and one of Japan's most popular musicians. The shamisen is a traditional banjo-like instrument; performers were usually blind – one of the few occupations open to them until recently. Chikuzan's performance is thrilling, haunting and evocative by turn. Music is interspersed by storytelling and childhood memories of poverty related with humour. Don't worry about language: Chikuzan's skilful playing and atmosphere in small underground theatre will more than compensate. Inside is rural Tohoku; outside Tokyo's smartest entertainment area, Shibuya, near major hotels. Jean Jean (Mon, Tue, Wed). (462 0641).

LONDON

Royal Philharmonic Orchestra conducted by Richad Hickox with John Lill, piano. Poulenc, Beethoven and Fauré. Barbican Hall (Mon). (638 8891).

Hilliard Ensemble: Perotin and Machaut. St. Luke's Church, Chelsea. (Mon, 10pm). (589 8212).

New London Consort directed by Philip Pickett. Medieval extravaganza. Barbican Hall (Tue).

Nash Ensemble conducted by Lionel Friend. Strauss, Schönberg and Mozart with Sarah Walker, mezzo-soprano. Royal Albert Hall (Tue). (589 8212).

London Symphony Orchestra conducted by Claudio Abbado with Natalia Gutman, cello. Mendelssohn, Prokofiev and Dvorak. Barbican Hall (Wed).

BBC Symphony Orchestra conducted by Elgar Howarth with John Ogdon, piano. Vaughan Williams, Anthony Payne first performance, Rawsthorne and Elgar. Royal Albert Hall (Wed).

Royal Philharmonic Orchestra conducted by James Loughran with Gyorgy Pauk, violin. Elgar, Mendelssohn and Beethoven. Royal Albert Hall (Thur).

Ronnie Scott's Frith Street: Cuban trumpeter Arturo Sandoval and his orchestra. Ends Aug 17.

PARIS

La Grande Ecurie et la Chambre du Roy with Stuttgart Kammerchor conducted by Frieder Bernius: Bach, Handel, Scarlatti (Mon 8.30pm). Saint-Severin Church.

Angela Hewitt, piano: Fauré (Tue 8.30pm). Sorbonne, Amphitheater Richelieu.

Guy Touvron, trumpet, Jean-Luc Salique, organ: Constant, Duhamel, Bach, Reger (Tue 8.30pm). Blancs-Manteaux Church.

Jean Guillou, organ: J.S. Bach (Wed 8.30pm). Saint Germain-des-Pres Church.

Omar Zoboli, oboe and flute, Christiane Wolf, harpsichord, Roberto Gini, violaa de gamba: Handel (thur 8.30pm). Saint-Merri Church.

NETHERLANDS

Amsterdam, Nieuwe Kerk (Dam Square). Organ recital by Harm Harbuis. Bruhms, Haoff, Byrd, Bull, Gibbons, Buxtehude, Böhm (Thur).

The Three Beatings of Tao Sanchun/Royal Court

Michael Coveney

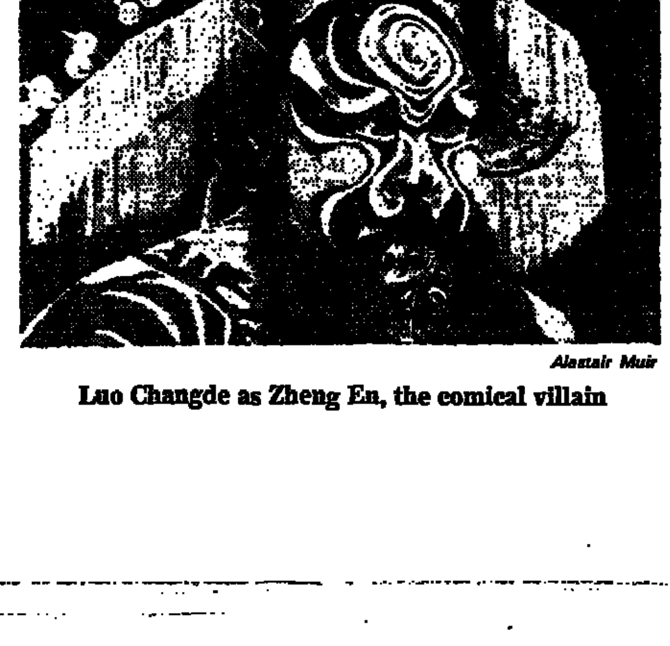
The Three Beatings of Tao Sanchun is a bit of a misnomer, for Tao is she who does the beating in this gorgeous LIFT presentation of the Peking—or, as we now call it, Beijing—Opera. Wu Zuguang wrote the piece in 1962, fell foul of the Cultural Revolution, and has survived to see the play introduced to the Chinese repertory along with the re-establishment, nine years ago, of the traditional elements of Peking Opera—the sumptuous costumes, acrobatics, heroic gestures and strangely addictive taut and tensile music.

Tao is a melon-vendor who has been appropriated, during the wars, as a wife for an oil merchant, Zheng En, newly elevated to royal status. The story is set in the 9th century AD but purports to make a statement about the contemporary Chinese woman's lot. Which is why, presumably, it finds its way, courtesy of sponsorship by John Swire and Sons Ltd, on to the hallowed revolutionary boards of Sloane Square.

I am a little suspicious of the claims being made for this as feminist drama. Motivation and psychology remain peripheral to the sheer delight of watching detailed expression and controlled gesture in comparative close-up (the Court's fabled intimacy gives English audiences an unparalleled opportunity to savour the art form). And Tao herself, in Wang Yuzheng's wonderfully tough and funny performance, is as ascendant victor in the sex war from the off. Zheng (Lou Changde) is a stock comical villain with long black beard, face paint to render him similar to a sawn off mint humbug or bullseye, and a golden, tasselled lampshade of a headpiece.

Tao, like Shakespeare's shrew, is tested by ghastly macho interventions en route to the wedding appointment. She repels a disguised bandit with a pair of what I can only describe as juggle cudgels and proceeds to deal with an entire battalion of beautifully attired armed guards in a fashion reminiscent of the last Peking troupe to visit London, the Shanghai division. On that occasion, the female egret repelled the marauding male vultures in a fantastic exhibition of audacious spear-handling. That tradition is here wryly satirised by Tao's trick fielding of her fiancé's arrow.

The spectacular athleticism of Peking Opera is here confined to Tao's brother casually executing a horizontal rotary leap through 270 degrees, the sudden Cossack-style running on the haunches act, the odd somersault and the flying guards in disarray who manage to land on their chests from a height of 10 feet. So nothing much in the physical department.



Alastair Muir

Luo Changde as Zheng En, the comical villain

Wu Zuguang's play, in fact, is a cunning tour around the styles and modes of Peking Opera, retaining the onstage band convention with its array of whining strings, wooden blocks and echoing, kitchen saucepan-sounding clatter. The sound remains tantalising and challenging even after 200 years, and the inflected wailing and singing delivery is as fascinating an element in the evening as is the brusque finality of the accompaniment.

The comic magistrate of Luan Zuxun, with his attendant retinue straight out of Gilbert and Sullivan, is a continual delight, his fussing officiousness in need of no translation, cruelly betrayed from the start by his floppy ear-pieces. The costumes, as you would expect, are breathtakingly beautiful, a procession of exotic chasubles and pompoms, white end-sleeves that double as expressive props and dismissive napkins, long peacock feathers that transform an assailant into a gloriously militant ibex. . . the inventory is endless, the joy boundless.

Two premieres in Royal Exchange season

The autumn/winter season at the Royal Exchange Theatre, Manchester, is to include two premières. The major one is author Russell Hoban's adaptation of his novel set 3,000 years in the future, *Riddley Walker*, which has been commissioned by the theatre. Directed by Braham Murray and designed By Johanna Bryant, it opens on February 20 1986.

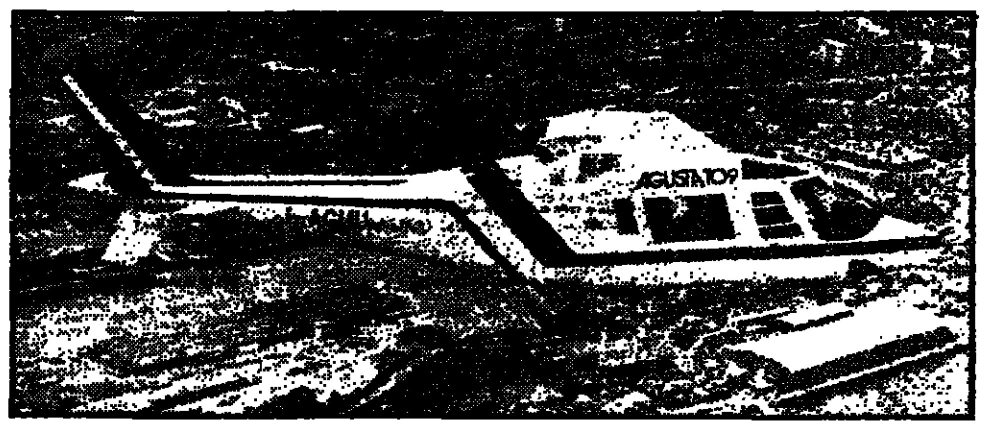
The other première is a musical fantasy by Trevor Peacock, *Jack and the Giant*, a seasonal family entertainment which will run from December 5 to January 4.

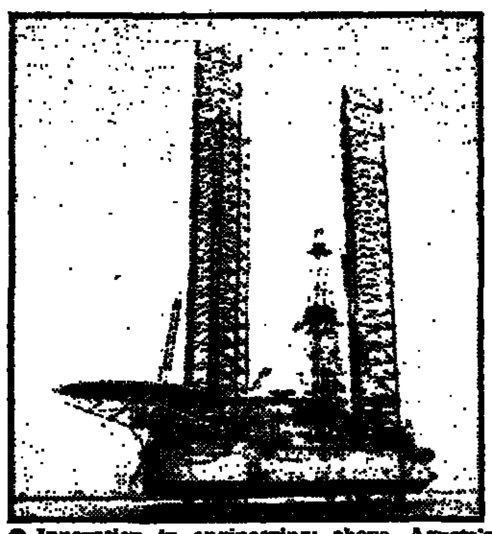
The Royal Exchange's season opens on September 12 with a 5½ week run of Nöel Coward's *Hay Fever* and continues with the first Arthur Miller play to be performed at the theatre, *Death of a Salesman*. The fifth production is *As You Like It*.

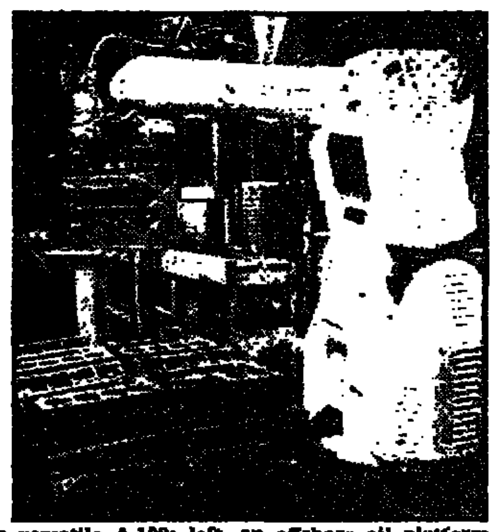
FINANCIAL TIMES SURVEY
Monday July 29 1985

Italian Engineering

Italy has been carving out a strong world presence in some engineering sectors while losing competitiveness in others. Industry will receive a boost from the lira's devaluation which could encourage further the strong inward investment flow.







● Innovation in engineering: above, Agusta's versatile A-109; left, an offshore oil platform Perro Negro 3, belonging to the state-owned energy group, ENI; and, right, in the motor industry, a Comau "Smart Robot" unloads engine cylinder blocks from pallets

On the innovative track

By ALAN FRIEDMAN, Milan Correspondent

IT IS just over a week since the chaotic currency crisis which came as a prelude to the 8 per cent devaluation of the lira, but already from this vantage point it is possible to see how the devaluation points up the anomalous state of the Italian economy and in turn Italian industry.

The lira devaluation was in large part needed to counteract a record trade deficit which Italy has been suffering in the first half of this year: at the same time foreign investment has been pouring into the Italian stockmarket and in the form of direct investment, acquisitions of companies and joint ventures.

Imports

The situation is anomalous because Italy is sucking in imports much faster than it is exporting and yet certain Italian companies are managing to make strides on the European market—the names of Fiat and Olivetti come immediately to mind but there are others.

The situation is anomalous also because the Italian economy is growing at a faster rate than, say, France or West Germany, and yet there are sectors such as home appliance manufacturing, or companies like Alfa Romeo, which are operating at only a fraction of capacity. Even Italy's proud machine tools industry is worried about the outlook, despite being among the most advanced and successful in the world.

In seeking an explanation for Italy's troubles, one must look first at the effects of a runaway public sector budget deficit, which even with recently announced spending cuts and revenue-generating measures is still likely to top L100,000bn ($53bn) (13.5 per cent of the country's gross domestic product).

The public sector deficit is the most visible example of the unwillingness of Italian politicians to tamper with vote-preserving and overly generous state pension and social programmes. The need to fund the deficit results in high interest rates (a prime rate of 17 per cent), inflation (9 per cent) still well above the level of Italy's main western trading partners and the crowding out of private sector borrowing.

Meanwhile, Italian industry tries to cope with punitive borrowing rates, a loss of competitiveness on world markets and a political class which is perfectly willing to interfere with business transactions if it thinks it has something to gain.

The result of this last problem is that state-owned food companies cannot be privatised by state holding groups without absurd political interference, or in another case, the obvious need for rationalising a state car company is ignored because the attendant redundancies would represent a political impossibility.

Thus, even the much vaunted Craxi Government, nearly two years in office, and meant to be the harbinger of the "new Italy," is not immune from petty political squabbling, interference in business and the traditional Italian Government propensity for inaction when it comes to taking much-needed corrective measures in the economy, and particularly in the public sector deficit.

On the more positive side of the ledger, Italian industry is trying, and in many cases successfully, to modernise by introducing new technology. Italy *has begun to embrace factory* automation and boasts Fiat's Comau flexible manufacturing and robot company, which only recently was asked to supply General Motors with $80m worth of factory automation equipment.

Battle

Likewise, it must be said that in the private sector a new confidence reigns, a confidence based upon the impressive turnaround at companies such as the profitable Fiat, Olivetti and Pirelli. Montedison, the Milan-based chemicals, energy and health care giant, has been radically restructuring and reducing its heavy losses—$650m over the past three years.

Unfortunately for the image of Montedison, the chemicals group *has in recent weeks* been engaged in a vicious corporate battle with the Italian financial establishment over its takeover of a 37 per cent packet of control in the Bi-Invest financial and industrial holding company.

Indeed the past couple of months have seen three typically Italian financial controversies which have been doing harm to this nation's otherwise steadily improving image among investors in Wall Street, the City of London and *elsewhere*.

The three events, which cast a *shadow* over the rest of the Italian economy, include the lurid political interference by the Craxi Government in the attempt by Professor Romano Prodi, chairman of the IRI state holding group, to privatise IRI's food subsidiary, Societa Meridionale Finanziaria, by selling it to Sig Carlo de Benedetti.

The deal, originally signed in April, ran into heavy political opposition from Prime Minister Craxi, and was then followed by a series of counter-bids for SME. The matter is still unresolved and has been further compounded by an unprecedented claim from Sig de Benedetti that he was asked to pay a bribe in order to expedite the SME acquisition.

"Here we go, back to the old-style Italy," was the comment from one foreign businessman in Milan the other day.

Then, following the SME affair, came the bitter corporate battle which erupted this month when Montedison bought control of Bi-Invest from stock market raiders, upsetting the delicate balance of industrial power in the establishment led by the Agnellis and Pirellis.

Finally, the collapse of the lira against the dollar on July 19, the 8 per cent devaluation in the European Monetary System which followed and a series of charges and countercharges as to who caused the currency crisis. Even the normally prestigious Bank of Italy has not emerged untarnished from the "black Friday" currency affair.

Successes

If these various affairs suggest that the fundamental nature of power-broking in Italy has not changed, foreign investors can still take heart from the fact that Italian engineering concerns remain innovative and, in some cases, even ahead of their competitors in the world market.

The success of Saipem, the oil drilling and pipelaying subsidiary of the ENI state energy group, or OFC Snamprogetti, a sister ENI company which is *busy winning big turnkey* fertiliser projects in India, show that Italy can still hold its own.

Small Italian companies also achieve unusual successes—witness the example of the little-known Milan-based Micoperi, which is spending L485bn to build one of the world's largest semi-submersible vessels for the offshore oil industry.

Meanwhile, in the car industry, Fiat is mid-way through talks with Ford (Europe) which could result in an important joint production agreement, badly needed if Europe is to rationalise its over-blown car sector. Alfa Romeo, the loss-making state car company, is talking to General Motors. The Turin-based Pininfarina design company has a $550m contract to build and ship Cadillac car bodies to Detroit. Chrysler has turned to the engineering flair of Maserati, which is to supply $600m worth of cars for the U.S. market.

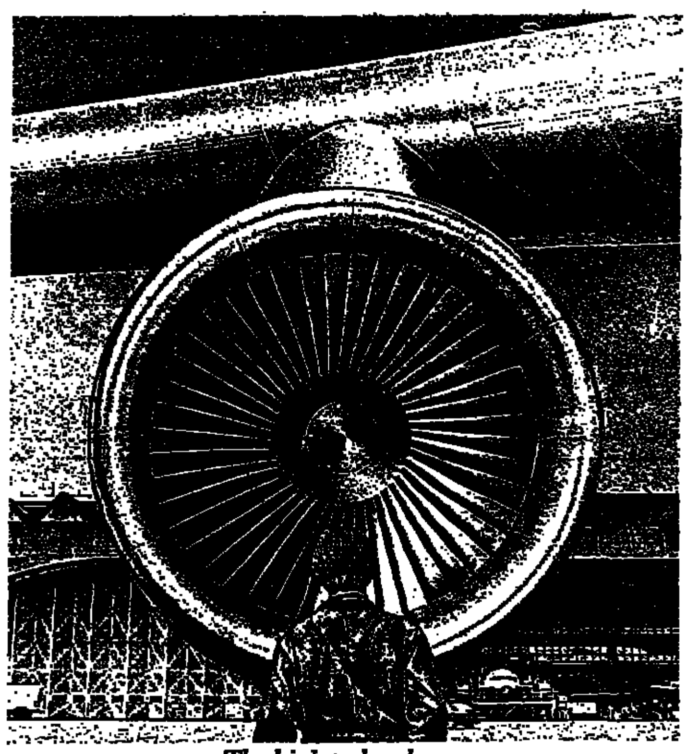
In the state sector, which means the three big holding groups of IRI, ENI and EFIM, losses are still heavy, but efforts are under way to take a harder management line.

This can be seen in the impressive management of companies such as IRI-STET's microelectronics maker—SGS—which is now struggling with the rest of the electronics world in the present market glut. Other examples of well-run state companies are Elsag in electronic systems, Aeritalia in aerospace, or Agusta.

The state sector is also moving ahead gradually with partial privatisations—and not all of them end up as disastrously as the SME affair. Saipem last year successfully floated 20 per cent of its shares on the Milan bourse and with foreign investors while SIRTI, the telecommunications construction and maintenance subsidiary of IRI, only recently offered more than 40 per cent of its shares to the public for L200bn, the largest issue for a state company on the bourse.

The Government says it is determined to force the state sector to be less dependent on huge cash hand-outs. It still needs to develop a more co-ordinated privitisation policy and more importantly, needs to reduce the degree of political horse-trading which goes on in the three big holding groups.

Italian state companies are still in many cases fiefdoms of political parties which regard them as sources of patronage and jobs. This will have to change in future if real industrial progress is to be achieved.



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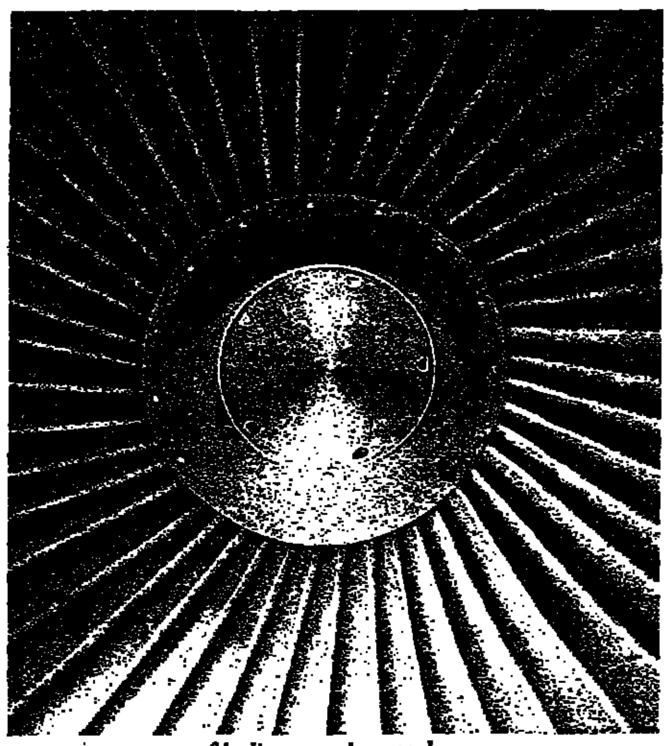

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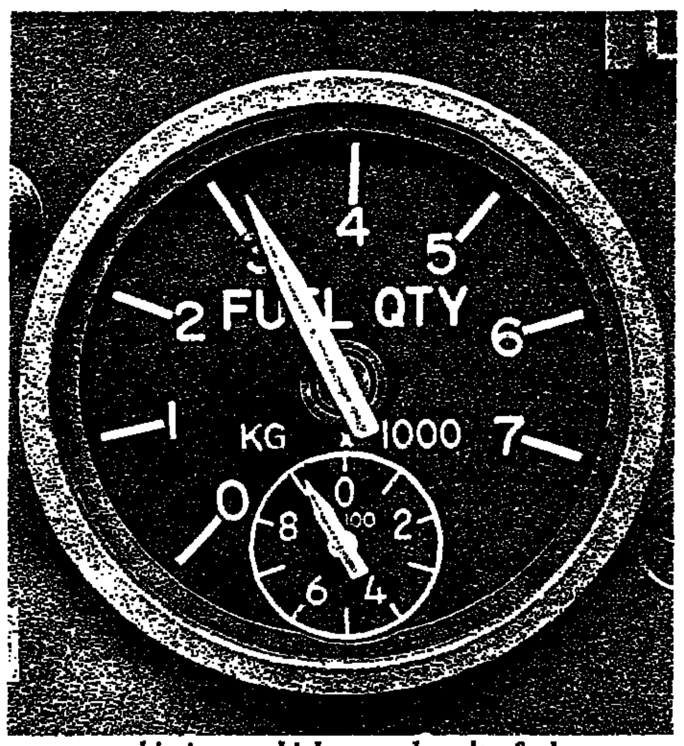

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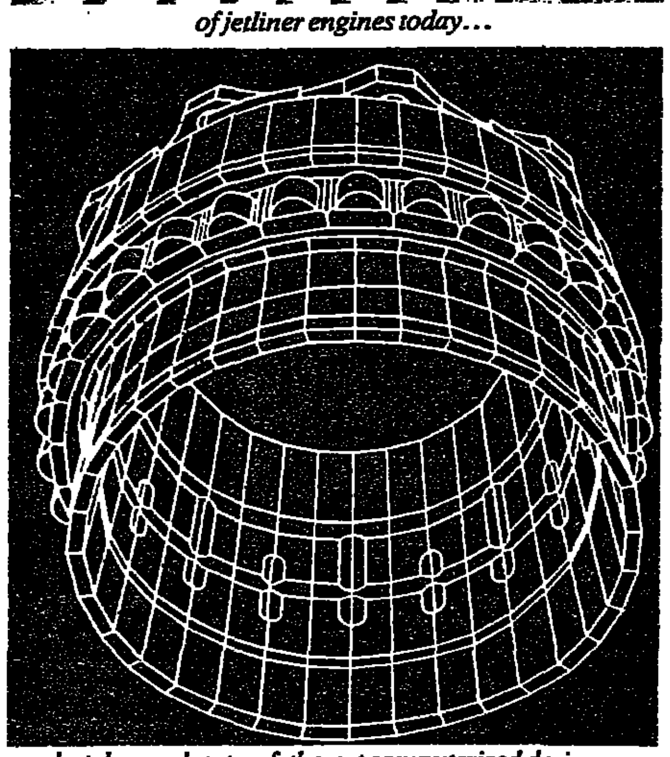

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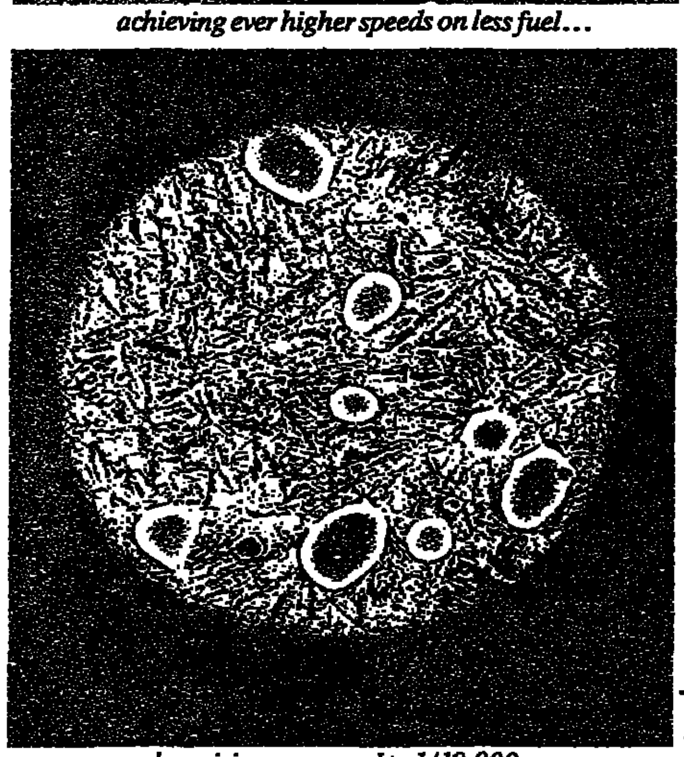


and precision measured to 1/10,000 mm.

Italian Engineering 2

Borrowing climate improves

Finance
ALAN FRIEDMAN

CORPORATE FINANCE for Italian companies, whether they be in the engineering sector or not, remains less developed than in other western economies. The simple reason for this is that the Italian financial system, with its curious mix of a largely state banking sector, a small stockmarket and a lack of real merchant banking or venture capital traditions, is itself less developed than in, say, the UK or the U.S.

High interest rates, kept that way by the Italian Government's annual $50bn public spending borrowing requirement (and the need to finance the public budget deficit through reams of Treasury bonds) provide another obstacle to easy bank borrowing. The domestic corporate bond sector is not active and only the larger companies seem willing to approach the equity market for finance.

These are the problems. The good news is that slowly but surely the situation is altering, even improving. Investors from both Italy and abroad have been pouring money into the Milan bourse, which despite having only 150 quoted companies, is enjoying a spectacular boom this year

The biggest corporate names such as Fiat, Pirelli, Montedison and others are now more willing to tap the bourse or the Eurobond market for cash. In the state sector—and it should be remembered that some of Italy's most important engineering companies are state-owned—the trend is toward raising funds through partial privatisation on the stockmarket.

What is happening in Italy is that a country which lacked a corporate finance or merchant banking tradition is beginning to nurture one. The Bank of Italy in particular has been supplying boosts for the past couple of years, while comparative newcomers such as the Milan-based Euromobiliare (founded in 1973) are actually preparing to bring new companies to the bourse and to take equity stakes in them.

Euromobiliare is the investment bank which brought Danieli, the steel mini-mill maker, to the stockmarket. It also had a hand in the flotation of 20 per cent of Saipem, the state oil and gas pipelaying and drilling company which raised L120bn (U.S.$62m) with a share offer last year.

Fiat, the largest private sector conglomerate in Italy, broke records last year with a L675bn share issue, the largest in the history of the bourse. But few companies have the drawing power of Fiat and it must be said that even medium-sized companies tend to be reluctant to dilute equity control through a stockmarket offering.

This reluctance is most common among family-owned and family-run companies. Trying to convince many of Italy's most innovative and wily businessmen to raise capital through a share issue—or even by selling a part of the company's share to private investors — can be roughly akin to conversation with a brick wall.

Take the example of Sig Pierluigi Streparava, whose family owns 100 per cent of his precision engineering and machine tols company. Sig Streparava is among the more cosmopolitan of Italy's businessmen, himself president of the UCIMU national machine to ls association.

Family company

When asked about the cost of bank loans (his company has L9bn of debt, against L6.7bn of share capital) he complains along with every other businessman. When asked if he would consider a share offer, he shakes his head.

"No, we are a family company. We wouldn't go to the bourse. We in the family can take decisions here in ten minutes. That would not be possible if we had outside shareholders.

Or, perhaps Sig Ugo Gussalli Beretta, managing director of the famous Beretta arms company located north of Brescia: a broad grin appears on his face when asked whether Beretta's heavy capital investment programme would not be served by finance from an equity issue.

Firstly he points out that the Beretta family only owns 67 per cent of the company, having sold a third to Belgium's Fabrique Nationale de Liege (FNL) ten years ago.

"How could we show such small profits with outside shareholders. The family and FNL re-invest in company development at the expense of profits," he comments, adding that as far as Beretta is concerned there is no need and no intention to approach the bourse. "We get offers from bankers, but we say no," he adds.

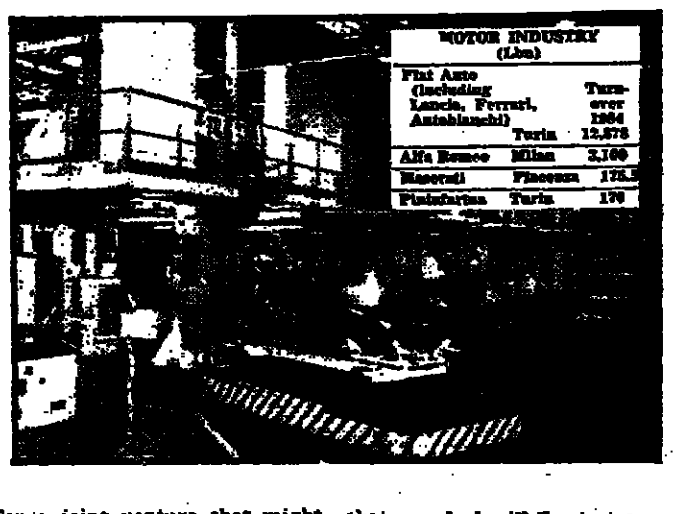
The result of this attitude is that many companies, including Zanussi, the home appliance group which lurched from crisis to crisis while owned by the Zanussi family, remain chronically undercapitalised. Zanussi is now being recapitalised, having been taken over by Sweden's Electrolux.

High interest rates, a lack of interest among families who run companies and an underdeveloped capital market—these are the components which conspire against UK-style corporate finance. "These people have a long way to go. They've got no venture capital," said one Californian financier recently upon his arrival in the south of Italy.

For the major companies, finance is flexible. Pirelli has just launched some convertible Eurobonds in dollars, sterling and Deutschemarks. But for lesser names it could be a while, perhaps five years or more before Italy can boast the kind of corporate finance available in London or the U.S.

Prospects of more mergers

Motor Industry
JAMES BUXTON



TWO SETS of negotiations which have been going on in secret for months with the giants of the U.S. motor industry highlight both the strengths and weaknesses of Italy's leading car producers.

For Fiat the possible merger of its car subsidiary Fiat Auto with Ford Europe would crown the triumphant recovery of Italy's leading car producer. For Alfa Romeo, on the other hand, a deal such has been mooted with General Motors is seen as one of the few solid hopes for the future of the perennially loss-making company.

The recovery of Fiat since 1980 is not only a text book example of a company pulling itself together after several years of demoralised management, but also a turning point in Italy's post-war economic history. The story of how Fiat got a grip on its labour force, poured investment into factory automation and rebuilt its marketing network on sounder lines is well known.

The payoff came in 1983, when Fiat Auto made its first profit — a modest L80bn on sales of L11,307bn. Last year its profits went up to L235bn on turnover that rose 14 per cent to L12,878bn. In both 1983 and 1984 Fiat won the second largest share of the European car market — 12.7 per cent in 1984, just a whisker behind Ford with 12.8 per cent.

Part of this strength was due to the Fiat Uno, the superb small car which Fiat launched early in 1983 and which was for a time the best-selling car in Europe. The Uno allowed Fiat to push its share of the Italian market up from 44.5 per cent in 1982 to 47 per cent in 1983, although in the first six months of this year it was down at 43 per cent.

Boosted

On the other hand, Fiat Auto's share of the Italian market has been steadily boosted by the rising sales of Fiat's Lancia/Autobianchi subsidiary whose market share rose from 7 per cent in 1982 to 8.6 per cent last year, and 9.3 per cent in the first half of this year.

Lancia/Autobianchi is benefiting from a steady stream of attractive new models, the most recent of which is the Y10, a smarter and smaller version of the Uno. Thus the Fiat group's total market share was 52.2 per cent in the first half of this year, compared with 51.6 per cent in 1982, by far the highest share of a domestic market held by any European car maker.

The Fiat group's confidence in its future and in its knowhow is demonstrated by its new engine plant at Termoli in south-east Italy. In this astonishing plant the FIRE (fully integrated robotised engine) 1,000 cc engine is assembled, checked and tested almost entirely by robots and computers. For an investment of nearly $400m, Fiat is getting engines made in only 107.5 minutes, against 231.5 minutes in its older factories. The Termoli plant is reckoned to be the most modern in the world.

This year is the 75th anniversary of Alfa Romeo, but the year does not seem to be a very happy one for the company that bears one of the most glamorous names in Italian motoring history. Despite serious efforts over the past few years to modernise production methods, reduce manning levels and improve the model range, the company last year trebled its losses to L 97.8bn on sales of 3,100bn.

Alfa's share of the Italian market rose last year to 7.3 per cent, compared with 6.6 per cent in 1983, thanks to its new smaller models, the Alfa 33 and the Arna, the latter the fruit of a once controversial joint venture with Nissan of Japan. But in the first half of this year Alfa's market share went down again to 6.5 per cent, while in Britain, probably Alfa's most important overseas market, sales have dropped drastically since neither of the new models has found favour in the UK

This year Alfa has brought out two new models in the larger range—the Alfa 90 and the Alfa 75, but attractive as these cars are, nothing can conceal the fact that Alfa has too high a breakeven point for its operations in the high performance saloon section of the market which is its home.

Recently Mr Lee Iacocca, the head of Chrysler, said that it would be a five-year job to bring Alfa Romeo back to health. It was not one that he intended to take on himself, he indicated.

Yet it is to the U.S. giants that both Italy's major carmakers are now looking. Fiat has been in serious talks with Ford Europe for all this year in an effort to find the formula for a joint venture that might create what would be easily the biggest car company on the continent.

Any kind of merger between the two companies would be extremely complicated, especially as Ford has quietly talked recently of reducing its own carmaking capcity in Europe. One difficulty seems to be the question of who, if anyone, would lead the joint-venture: at the Fiat annual meeting this month Sig Gianni Agnelli, Fiat's chairman, said pointedly that Fiat had better productive systems than Ford Europe and more experience in small cars. Ford Europe is, however, the bigger company.

The question of leadership is important not just to Fiat itself but to the Italian political and business establishment where senior figures have expressed their dismay at the idea of control of the Italian motor industry passing out of the country—for example to, as has been rumoured, a 50-50 joint venture of the two companies to be based in Paris.

From the most recent statements of Fiat it seems unlikely that any deal will be signed for several months.

Alfa Romeo, meanwhile, is talking to General Motors about the possibility of a joint venture with the U.S. company's Pontiac division.

It has even been suggested that GM might buy a small stake in Alfa and obtain a seat on the board of directors. That folowed reports that Alfa had had talks on collaboration with other manufacturers, notably Volvo and BMW. For it is clear that for Al'; Romeo's parent, the IRI-Finmeccanica group, the car company which has lost almost L50bn in the past five years, is a major source of worry and that what might seem to be political taboos may have to be breached to save the state the frightening burden of Alfa's losses.

The present political row over the privatisation of IRI's assets, which broke out when IRI tried to sell SME, its foods subsidiary, to Buitoni, will not have increased private sector companies' enthusiasm for taking stakes in Italian state-owned concerns.

Alarm bells are ringing

Machine Tools

ALAN FRIEDMAN

ITALY'S machine tools industry is one of the most advanced in Europe, ranks as the fifth largest producer in the world (with L 1,750bn of sales) and is a successful competitor on the world market, selling 56 per cent of its total production outside of Italy and ranking also as the fifth most important exporter in the world.

Why, then have there been signs of alarm expressed by officials of UCIMU, the national machine tool makers' association, in recent weeks? The answer to this question involves four key concerns:

- There are fears, shared by West German machine tools companies, that Japanese competition is proving a serious threat to Europe's industry;
- The Italians are worried about a slump in domestic orders, some 21.4 per cent in the three months to June 30 this year;
- Italian companies fear the possibility of U.S. protectionist measures and discrimination by Pentagon contractors against foreign machine tools products;
- Despite having made big advances in factory automation, UCIMU says there is insufficient investment in new technology at present.

In addition to this list of concerns there is a more domestic Italian problem: after machine tool customers received more than L 150bn of government grants (providing up to 25 per cent of the purchase price of machine tool equipment), the law has now lapsed and the stimulus to orders has been removed UCIMU describes this situation as "without a doubt alarming" and points out that in the fragile recovery which has followed three years of crisis, more incentives are needed.

Concern over Japan, which is the world's largest producer (with $4.7bn), was expressed last month when Sig Pierluigi Streparava, president of UCIMU, called Japan "one of the causes of the crisis in other countries." He said that European companies did not receive the same kind of massive investment in technology and automation as Japanese counterparts.

As for Italian domestic problems, these reflect a lack of fresh investment in the past few months. Italy's total machine tools output, while improved over 1982 and 1983, last year only just got back to 1981 levels.

While Italy is the home of avant-garde robot makers such as Fiat's Comau subsidiary and Berardi of Brescia, Sig Streparava feels that there is a lack of co-operation among many of the 400 companies which constitute the Italian sector, employing a total of 28,500 workers.

Trade measures

Another concern is the prospect of trade measures by the Reagan administration which could harm the Italian industry.

He said that there was already evidence that U.S. defence contractors are steering clear of foreign machine tools equipment. Last year Italian machine tools exports to the U.S. totalled $52m, or roughly 10 per cent of total machine tools exports.

Industry leaders in Italy say that the lapse of the incentive law and the inability of companies to agree on co-ordinated modernisation plans will mean that the Italian sector could risk falling behind.

More promising, instead, are Italian achievements abroad. UCIMU, already a vigorous and well-funded association at home, has succeeded in forging new ties with China. About 50 Chinese engineers were brought to Italy for training in 1982 and now UCIMU is helping to develop a training centre near Beijing. Some L8bn of machinery has been installed in the centre, which Sig Streparava describes as "a showroom for Italy."

Then there is the continuing success story of Comau, the Turin-based Fiat subsidiary which has supplied major U.S. car companies and components manufacturers. Last month Comau said it had won a $80m order to provide automated assembly lines for the making of aluminium cylinder heads at two Chevrolet plants in the General Motors network.

In terms of exports, France remains Italy's primary market, and the EEC as a whole takes close to one-third of total Italian exports. When non-EEC countries in Western Europe are added along with East-bloc countries, the European total rises to 60 per cent of Italy's machine tool exports. The next biggest market is the Far East, which buys 13 per cent of Italian exports.

The main challenge now, according to Italian companies, is to market more aggressively abroad in order to compensate for the drop in domestic orders. This will not be easy, but Italian companies are none the less making a push. The problem is that the most internationally-orientated Italian machine tools companies are the top 40, which together account for half of annual total sales.

The big names (Comau, Berardi, Mandelli) will be fine, but unless demand picks up then some of the smaller companies, which may employ between 20 and 50 workers, seem set for a difficult year. This is not necessarily a bad thing, as some industry officials confide privately.

"We need rationalisation, we need to see the technologically advanced companies prosper and the provincial ones, well, they could have trouble," was one industrialist's realistic comment.

The implication is that at least a part of Italy's machine tools industry, although fifth largest in the world, could be in for troubled times.

MACHINE TOOLS		
Year	Sales (Lbn)	Exports
1981	1,750	904
1982	1,560	880
1983	1,575	900
1984	1,750	980

TOP FIVE COMPANIES (Lbn)

Name	Headquarters	Turnover 1984
Comau	Turin	579.8
OCN (Olivetti)	Ivrea	126.3
Mandelli	Piacenza	57
Rambaudi	Turin	40
Berardi	Brescia	39

Tougher fight to stay out in front

Systems Electronics

ANDREW FISHER

IN THE fields of factory automation, military systems, and advanced equipment for the home and office, Italy's electronics companies have developed a spread of products that has taken them far beyond their limited home market.

Italian-developed systems are sold in a wide range of foreign markets and Italian companies have links with a number of major foreign groups. Perhaps the most striking example is the deal signed by Elsag (part of the state-owned IRI-Stet group) late last year with the mighty IBM of the U.S.

Elsag, a specialist in factory automation and part of the Selenia Elsag grouping within IRI-Stet, aims to have the joint venture with IBM ready for business next year. Selenia, for its part, also has a collaboration deal with Racal of the UK in the military side.

In one of its niche markets, automatic postal sorting, Elsag teamed up with Pitney Bowes on a key $150m contract won in 1982 to make equipment capable of handling 50m items of mail a day. Pitney Bowes made the machinery, while Genoa-based Elsag took royalties.

A contract like that is worth much in prestige to a European company. Fata, the Turin-based company which is owned by Babcock International of the UK, also gained a valuable foothold in the U.S. with its $12m order to provide automatic guided vehicles to two General Motors plants in the U.S. late in 1984.

It hopes to win more business for AGVs—flat-topped vehicles which carry materials around factories, guided by wires in the floor and controlled by computers — as GM boosts the efficiency of other plants. Last month, the Comau subsidiary of Fiat announced an $80m deal to supply GM factories in North America with automated assembly lines for cylinder heads.

In the international rough and tumble of the electronics business, Italian systems have thus developed a firm reputation. Even so, the sector is not always profitable for the companies and the financial and management struggles to stay in the forefront are fierce.

The start-up budget for the Elsag-IBM tie-up, in which the Italian company will have 51 per cent, is L10bn (nearly £4m). It will use the experience of three companies within Elsag, as well as the software skills of IBM Italy, which took a year before deciding to go ahead with the agreement, said Dr Antonio Cacciavillani, Selenia's chairman.

Integration

"This is a unique case and a good demonstration of our technical capabilities," he added. The idea is that client companies will be able to integrate existing equipment into complete automation systems, with full systems being offered later.

By the end of the year, the venture will employ around 100 people, with between 300 and 400 in two years in systems, engineering, design and software. This will not include the production side. The deal was the first ever collaboration by the U.S. computer group with a European company.

IBM also signed agreements with two other Stet members — with SGS for the purchase of L100bn of microchips a year and for collaboration with the CSELT research company. Elsag's own efforts will be based on three of its companies, namely DEA, which makes measuring robots and machines, SAIMP, a machine tool manufacturer, and Italcad, a computer-aided design company.

The main thrust of the Elsag-IBM company will be directed at medium-sized Italian companies, but the export market will also be attacked. Concerns in the household appliance, automotive, electrical, and engineering sectors will be obvious targets.

Because of problems with two companies (including SAIMP) which it took over from within the IRI group, Elsags's profits last year fell from L10bn to L3.5bn. But losses on the two awkward subsidiaries are being reduced during 1985.

Selenia's profits showed a sharp 37 per cent jump last year to L20.6bn, with 65 per cent of its near L600bn of sales representing exports. For the whole Selenia Elsag group, orders at the 1984 year-end amounted to L3,100bn, around three years' work.

At present, some 60 per cent of the group's business is military, but Dr Cacciavillani said the aim was to achieve a 50-50 balance. The R and D expenditure of both concerns was being merged so as to avoid overlap, he added.

Both companies began by making equipment for military purposes.

Anxiety over Japanese pricing

Plant & Chemical Engineering

ANDREW FISHER

"WE ARE NOT a charity company, we want to make a profit," said Dr Duilio Greppi, chairman of Snamprogetti, one of Italy's leading civil engineering and plant construction groups.

Snamprogetti does earn profits—quite handsome ones, in fact. But the market for large-scale prestige projects around the world has slackened in recent years and competition for what remains is fierce.

Companies like Snamprogetti, part of the ENI state energy group, are stumbling more and more against Japanese, South Korean and other rivals in the scramble for new business. Italimpianti, the steel plant specialist, and Saipem, which works with the energy industry, also face harsher market conditions.

Dr Greppi said that Japanese groups had obtained two contracts for fertiliser plants in Thailand and Indonesia recently. Since, he claimed, they were pricing at levels below European costs, "how can they support these losses?"

Still, there is enough business around to keep Snamprogetti and other Italian majors in the sector such as Italimpianti in healthy profits for the moment. Last year, net profits of Snamprogetti more than doubled from L15.7bn to L39.2bn (£15m).

This year, Snamprogetti is hoping for a further increase, said the jaunty Dr Greppi. But profits are having to be earned from a larger number of small contracts since the age of mega-projects has virtually ended.

One frustration for companies in the industry is the time taken to land big orders. Italimpianti, part of the state-owned IRI-Finsider has been negotiating a L2,000bn steel tube plant contract with the Soviet Union for the past year or so, as well as a similar, but smaller, L500bn deal in China.

Right on its own doorstep, Italimpianti hopes to participate in efforts to upgrade the port of Genoa to the modern container age, with a L500bn project at nearby Voltri involving new port and airport facilities.

Now approaching the end of a slowdown in orders, Italimpianti carries out some 80 per cent of its work outside Italy. It recently opened an office in Hong Kong to try and gain better access to the market which is steadily opening in China.

Like their competitors around the world, the Italian plant manufacturers have had to adapt their product and marketing approach to keep up with the fast changing scene.

Snamprogetti used to be heavily committed to oil and related sectors until the early 1970s, since when it has moved into the construction of fertiliser and textile plants, as well as airport planning and design.

In India, one of its long-established markets, where it tries to sub-contract large chunks of business locally in rupees, it is currently trying to win another fertiliser contract. This time, it has run into some embarrassing political controversy.

For Mrs Sonia Gandhi, the Prime Minister's wife, comes from Italy. Dr Greppi emphatically countered any suggestion that this would benefit Snamprogetti, which has progressively halved its turnkey price for the combined gas pipeline and fertiliser plant (six in all) project to some $630m, citing lower pipe and other costs.

Italimpianti has had to branch out of its specialisation in steel plant into such areas as food processing. It also builds desalination, sewage and waste treatment plants. Last year, it raised profits marginally to L21.3bn.

Operating in the volatile energy sector, Saipem, also a subsidiary of ENI, has taken comfort from the fact that it has suffered less than some of its rivals. It even broke into the U.S. market recently by winning a $35m drilling contract in the Gulf of Mexico for a consortium which includes Agip of Italy.

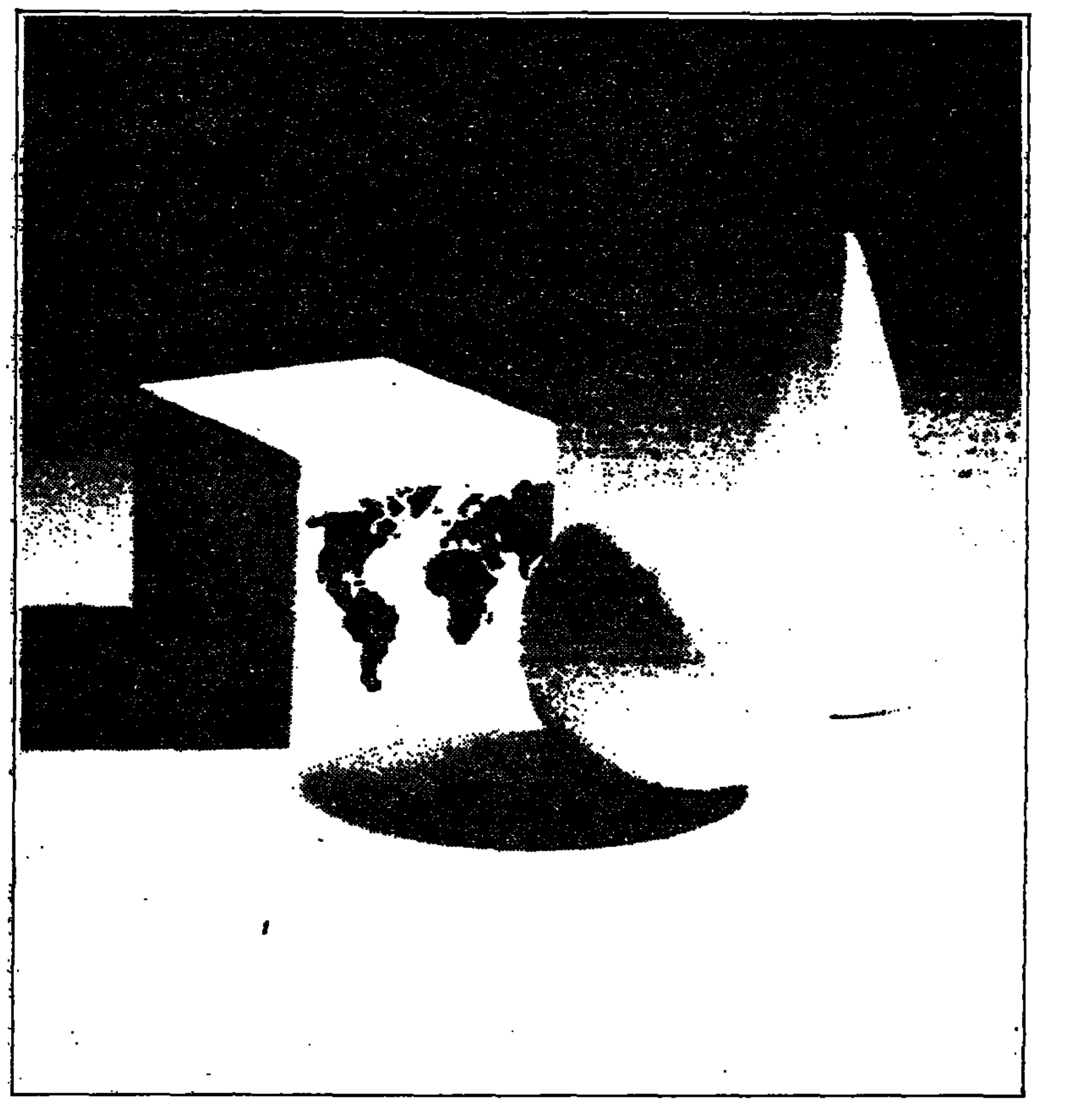
"The market has been very erratic in the last few years, but it is picking up," said Mr Dario Dall'Aglio, head of marketing. Net profits dipped very slightly last year to L83.5bn (using figures produced for the U.S.), with virtually all of its business abroad, mostly from the Middle East and North Africa.

With the proceeds of last year's share flotation, the company intends to investigate long-term opportunities in the ultra-deep waters of the Arctic. Saipem is a world leader in the laying of pipelines on the sea-bed and on land, as well as in drilling and other offshore work.

As the Italian plant engineering industry has found, being up among the world's best is not quite enough in these days of fraught and sensitive markets. Constant investment in advanced technologies, close attention to market needs, and a readiness to come up with attractive new project packages are also prime requirements.

TOP THREE COMPANIES (Lbn)

Company	Headquarters	Turnover 1984
Saipem	Milan	1,339
Italimpianti	Genoa	1,029
Snamprogetti	Milan	807



Uncertainties over projects cloud outlook for sector

Aerospace

JAMES BUXTON

THE ITALIAN aerospace industry is in a state of some uncertainty. The future of the biggest company, Aeritalia, is somewhat clouded by the uncertainties about the European Fighter Aircraft Project (EFA). Agusta, the second biggest company, is still heavily in the red.

Last year the industry's total sales rose only from L3,600bn to L3,900bn—a decline of two per cent in real terms. Of this, imports accounted for 63 per cent—some L2,500bn, 1 per cent less than in 1983. Fixed investment continued to decline, as it has since 1981: in 1984 it was L230bn against L255bn in 1983.

Yet Aeritalia, through an eclectic set of international alliances, has good prospects in both the civil and military fields. More worrying is the future of Agusta, with its helicopter business in recession and some of its subsidiaries giving rise to concern.

Aeritalia is the only airframe company of its size not to have joined the European Airbus project. At the time the Airbus consortium was formed, it was short of money and was already developing links with McDonnell Douglas of the U.S. Now, nearly 20 years after Airbus was created, Aeritalia's links with U.S. industry are so strong and so promising that Sig Renato Bonifacio, Aeritalia's chairman, sees little chance of a change of policy.

Instead of building the Airbus A300 and A310, Aeritalia has made parts for some 1,200 McDonnell Douglas DC9s and for 400 DC10s. It is committed to work on the McDonnell Douglas MD 80, the successor of the DC10, for which it has developed part of the tail in carbon fibre. And it is also a participant with Boeing in the 767 project for which it is fully responsible for the control surfaces and radome.

In May, Aeritalia announced an agreement with McDonnell Douglas to study the application of the fast-developing propfan technology to the MD 80. If the highly economical and quiet propfans can be developed successfully and fitted to airliners, today's by-pass jet airliners—of which the Airbus A320 is the most advanced — could be threatened, and Aeritalia could find itself one of the European leaders in a technology in which Airbus has so far shown little interest.

Tornado project

Aeritalia's major defence industry project is its 15 per cent participation in the Panavia Consortium which builds the Tornado strike aircraft. But the Tornado project is now 60-70 per cent complete and will run down in the next few years unless there are any new orders, and Aeritalia will need a new major project.

Aeritalia would be Italy's major participant in the EFA project. But with EFA now considered clinically dead as a five-nation project, the question is what the four countries who disagreed with France—Britain, West Germany, Italy and Spain—will now build?

Both their industries and their air forces agree on what they want—a rather heavier and more powerful aircraft than the French—but the final decisions will be political, and much depends on what West Germany decides to do.

Sig Bonifacio has made it clear in public that he believes the Panavia Consortium should build a new fighter for the air forces of the three or four countries. He is particularly keen to strengthen ties with British Aerospace in this and other fields, even though BAe poses some threat to Aeritalia's domestic market through its bid to sell to the Italian navy its Sea Harrier short and vertical take-off jet.

Aeritalia's is building its own light tactical support aircraft, the AMX, in collaboration with Aermacchi, a privately controlled aerospace company in which Aeritalia has a 25 per cent stake, and with Embraer, the Brazilian aerospace company.

Italy and Brazil will be buying a total of 270 aircraft, which uses a version of the Rolls-Royce Spey engine and is a relatively simple yet high performance aircraft which ought to be well adapted to markets in developing countries. The first AMX will be delivered to the Italian air force in 1987.

The Italian company does not, however, eschew all collaboration with France. On the contrary, it is a 50-50 partner in the programme to build the ATR 42, the twin turbo-prop commuter airliner, with Aerospatiale of France. So far, 90 ATR 42s have been ordered.

In a switch of ownership within the Italian state industrial sector, Aeritalia recently took over control of Alfa Avio, the aero-engine subsidiary of Alfa Romeo.

Probably the most important outcome of this rationalisation is that Aeritalia is now part of an agreement with Fiat Aviozione and other companies to develop, with General Electric of the U.S., the T700 helicopter engine. The jet engine could be used in the EH-101 naval helicopter which Britain's Westland is building with Agusta.

Aeritalia's profits more than trebled last year to L17bn on sales of L1,164bn. Agusta, on the other hand, lost L120bn at parent company level on turnover which, at the time of writing, it had still not revealed. The company went through a crisis in 1983-84.

Agusta was the creation of the Agusta family and built up its fortunes building helicopters under licence from the big U.S. manufacturers, Bell, Sikorsky and Boeing.

Its first fully in-house design was the A109, a transport helicopter. From that, it went on to the A129 Mongoose, an anti-tank helicopter whose development cost L700bn. Here, however, Agusta's problems began.

Agusta went ahead with the A129 without a foreign partner. The mistake told when it came to sell it:

The high cost of the A129 was one of a series of blows to rain upon Agusta. In the early part of the 1980s its once-booming market in developing countries, all but dried up, but the company continued producing helicopters for stock.

Under-capitalised as many Italian companies are, it borrowed heavily in dollars and built up debt of more than L800bn—about the same size as its turnover.

The crunch came in 1984 when some senior managers left the company, and Agusta finally faced up to the fact that large scale lay-offs were essential. Some 4,000 of the company's 10,500-strong workforce were laid off for at least three years.

The group was recapitalised with Efim, the state industrial holding company, putting in new capital—thus pushing the Agusta family stake down to only 9 per cent.

Count Corrado Agusta, one of the best-known figures in Italian aviation, became only honorary chairman, his place at the top of the company being taken by Sig Raffaello Teti.

Agusta is now gradually resolving its problems. It is going ahead with the EH-101, a large naval helicopter in a 50-50 joint venture with Westland—a project for which both companies have high hopes. It is in serious discussions with Westland and the British Government on a project to develop the A-129 for the needs of the British Army—and possibly for other forces. The collaboration with Britain is crucial to the future of Agusta.

Agusta only draws 65 per cent of its turnover from helicopters, however. It also controls Siai Marchetti, a small fixed-wing aircraft-maker, which builds the S.211 trainer, and Caproni, a company best-known for its gliders. It has an important components division.

Agusta has taken the lead in creating a consortium of companies both in the Efim group and in the priavte sector to bid for contracts in the U.S. Star Wars programme, as well as in the less well-defined Eureka project.

Aermacchi, is a distinguished aerospace company in its own right, with sales of over L200bn a year and a strong line in jet trainers and light attack aircraft. Its MB-326 and 339S played a significant role in the Falklands war on the Argentine side, sinking a British frigate in San Carlos bay.

TOP FIVE COMPANIES (Lbn)

Name	Head-quarters	Turnover 1984
Aeritalia (IRI)	Rome	1,201
Agusta	Milan	909
Oto Melara	La Spezia	778
Selenia-Elsag (IRI)	Rome	597
Fincantieri (IRI)	Trieste	458

New thrust into Nato markets

Defence equipment

JAMES BUXTON

ITALY'S DEFENCE industry faces one of the most difficult challenges in its history. The markets in developing countries on which it thrived mightily in the 1970s are in many cases drying up.

It must therefore break more deeply into the highly competitive market provided by the Nato countries. To do this it must, in some cases, upgrade its product line and rationalise its somewhat diffuse structure.

The Italian defence industry comprises much of the country's aerospace industry, a good part of its shipbuilding industry, most of its systems electronics industry, some of its vehicle industry — and naturally includes a range of specialised companies making munitions and weapons which have no civil applications.

It has been calculated by Prof Michele Nones of the Centre of Defence Studies at Genoa University that the industry employs about 80,000 people and in 1982 accounted for just 5.6 per cent of total manufacturing industry.

In comparison with, say, the British defence industry, the Italian one is relatively small —Britain's accounts for almost 11 per cent of total output. But whereas 42 per cent of Britain's defence output is exported, no less than 70 per cent of the output of the Italian industry's turnover comes from exports. And over 1978-82 period no less than 96.2 per cent of Italy's arms exports were to countries outside the OECD.

For Britain, on the other hand, the equivalent figure was 83.3 per cent. Whereas Italy devoted only 6 per cent of its total research and development spending to the defence industry in 1983, the relevant figure for France was 37 per cent and that for Britain was 55 per cent.

For the basic difference between Britain and France, and Italy is that Italy has only a small defence budget—it is one of the lowest spenders on defence as a proportion of GDP in Europe—and therefore has only a small domestic market for defence equipment. In fact in 1983 the Italian internal market was estimated at $1.458bn, while that of Britain was put at $6.534bn.

These figures make the recent performance of the Italian defence industry all the more creditable. For despite its relatively small size and its division into many separate companies, none of which is of large dimensions, it has not only exported successfully but has found some niches in the market where it is a leader—in small ground attack aircraft (Aermacchi) for example, or fast, heavily armed frigates (the Lupo and Maestrale classes, built by Cantiere Navali Riuniti) or in electronic couter-measures (the private sector company Elettronica).

Yet it became clear two or three years ago that times were becoming more difficult for the Italian industry. The decline in the spending power of the Opec members (notably Italy's leading arms market there, Libya) and the pressures of the IMF on the finances of many other developing countries causing them to cut back on arms purchases were two major factors.

Pressure

According to Professor Nones there is also pressure on arms producers from the fact that as the U.S. armed forces buy new equipment, they are able to release onto the market second hand equipment of high quality, thus reinforcing the U.S. defence industry's export position.

Several countries are creating successful defence industries in their own right where before they were exporters of little or no importance. Countries such Israel, Spain, South Korea, Brazil and South Africa are challenging Italy's position in the defence equipment market from beneath — while West Germany and Japan are in a position to challenge it from above.

Gradual realisation of these and other facts has produced over the past two years a growing reappraisal of how the Italian defence industry should be organised and developed for the future. The keynote of the speeches at many a conference on the subject is that the industry must be better coordinated, both at the level of government and at the level of the companies themselves.

But perhaps more important is that industry itself should correct its own inefficiencies and duplications. Here the fact that in many cases the state, through the ministry of state shareholdings and its holding companies, IRI and EFIM, controls most of the industry does not necessarily help, since the different defence companies represent the political interests of competing parties and factions.

Nevertheless some concentration and rationalisation has taken place. Oto Melara, part of the EFIM group, has made an agreement with Fiat under which the two companies, which are, inter alia, Italy's only makers of armoured vehicles are to co-operate in a joint consortium to build a new battle tank for the armed forces and a heavy eight-wheeled armoured car mounting a 105 mm gun.

The country's two main producers of missiles, Oto Melara and Selenia, the latter belonging to the IRI-STET group, have formed a consortium which will begin to rationalise the missile sector and study new projects jointly.

Elsag, another offshoot of IRI-STET, is to work on sub-aqua systems with the Fiat subsidiary, Gilardini Whitehead, a company known for its torpedos.

Agusta, EFIM's aerospace company, is leading a consortium of public and private sector companies to bid jointly for contracts under the U.S. star wars project.

Effective leader

In the private sector alone Fiat, the country's largest private industrial group, is now the effective leader of the Italian munitions sector. In 1983 it took a controlling 25 per cent stake in Snia BPD and about the same time bought Italy's two private sector makers of mines—Valsella and Misar.

Yet there are major areas where rationalisation has not occurred—notably aerospace and aero-engines. Aeritalia and Agusta are separate and bitter rivals in the aerospace field, each controlling subsidiaries which—at least in some fields such as that of light attack aircraft, seem to be in competition.

In aero-engines there are still three separate companies—Fiat Aviazione, Alfa Avio and Rinaldo Piaggio, despite the transfer from Alfa Romeo to Aeritalia of control of Alfa Avio.

The next stage is to see how the partially rationalised industry fares in the next few years in the collaboration agreements with other countries for Nato's equipment. The question of the European fighter aircraft and the Agusta A 129 anti-tank helicopter (discussed in the aerospace article) may be the crucial test.

PROFILE: BRESCIA

Hard-working province

THE BRESCIANI are a phenomenon. Obsessively hard-working and innovative, the people of Brescia, 60 miles north-east of Milan and in the foothills of the Alps, have created one of the most heavily industrialised and diversified areas in Italy, if not in Europe.

As a result, unemployment is negligible and productivity impressive. The image of Brescia abroad is most closely associated with its steel and iron industry—there are roughly 100 private steel companies, most of which also make their own raw steel from scrap in electric arc furnaces. The best-known products are rods, bar and wire and also special steel. The Bresciani also specialise in mini-mills.

But Brescia is also the centre of Italy's arms business and the home of the venerable Beretta works, which this year beat U.S. competitors to win a U.S.$75m contract to replace the Colt .45 and supply 315,000 pistols plus spares and accessories to the Pentagon.

It was Brescia, which today has around one-third of Europe's small arms market and a substantial stake of the rifle market as well, which as long ago as the 1500s was arming European monarchs.

Apart from steel and arms, Brescia is also host to scores of companies manufacturing machine tools, valves and fittings, metallurgical products, electrical and home appliance components, shoes, textile and clothing, cutlery, pewter, precision engineering products, and car, tractor, industrial vehicle and earth-moving equipment components.

While the city of Brescia itself—bombed heavily in the last war—has a population of 250,000, the surrounding region has 1m inhabitants. In this area, east of Bergamo and west of Verona, there are no fewer than 39,000 industrial companies and an additional 40,000 small, often family, pieceworking entities.

Brescia is the home of Sig Luigi Lucchini, president of the Confindustria Employers' Association (Italy's equivalent to the CBI) and also is the headquarters for Berardi, an important Italian producer of factory automation products and robotised machine tool systems.

Fourth city

The productive output of the Brescia area is estimated at L23,000bn ($12.4bn) and the city is the fourth largest in Italy in terms of industrial development after Milan, Turin and Genoa.

Brescia is a wealthy province, with local bank deposits of L9,000bn ($4.9bn) collected in five local banks and 35 branches of other institutions. At a time when Italy is suffering an overall trade deficit, the Bresciani point with pride to statistics for 1983 (the last available) which show exports of L2,586bn and imports of L1,555bn. "We contribute, we play our part," says one industrialist.

The local ethic is Calvinistic, with a vengeance. Professor Nicola la Marca, a Naples-born economist for the Brescia industrial association, explains the phenomenon this way: "For me the key explanation is social and cultural. The Bresciani do not work to live, they live to work. They have been like this for centuries—here the son of a rich man is made to work, just like the poor."

Even the Bresciani themselves will admit that their cultural make-up is skewered toward work. They are often referred to as "the Japanese of Italy" by other Italians. The Bresciani are workers, politically conservative and religious Catholics, fast-moving risk-takers (calculated risks of course) and perhaps just a bit on the miserly side.

Sig Giovanni Bazoli, chairman of Nuovo Banco Ambrosiano in Milan, is a Brescia-born native who confessed recently a desire to return to his home "when my work here is completed." He rejects the workaholic stereotype as being less true than it used to be and adds: "We used to be thought of as the men from the valley who came to the city. Now there are Bresciani all over the world."

Foreign trade

This is true especially when it comes to exporting. A huge trade exists in the above-mentioned industrial sectors and little known to the rest of Europe the Bresciani supply components to many of the continent's best known car, home appliance and engineering companies.

Take, for example, the activities of the Brescia foreign trade association and its sister agency, Brescia-Exports. Sig Giovanni Scalora, secretary of the association, sits at lunch reeling off stories of export promotions which consist of using contacts in Europe, Africa and the Middle East to generate business.

"We use lists of bankers, diplomats, friends of friends and tennis partners to get work abroad," he explains, noting that since January of this year missions have travelled from Brescia to China, Spain, the United States, Tunisia, Switzerland, West Germany, the UK, Egypt and Japan.

Another feature of the Bresciani is how quickly they adapt to and seek technology. Sig Pierluigi Streparava, who is president of the Italian machine tools association and has a steel forging, precision engineering and machine tools company near Brescia, says his company spent L2bn on introducing an automated manufacturing system last year.

That was 7 per cent of his L28bn 1984 turnover. Sig Streparava's company employs just 330 people but has important contracts to furnish Fiatallis, the Fiat earthmoving equipment subsidiary, with components, to supply Fiat's Iveco industrial vehicles division with axles and other components and to supply valves and other parts to GKN, JCB and Hattersley in Britain.

Progress proves slow

Nuclear Engineering

DAVID LANE

ITALY'S PLANS for nuclear power seem to be under fire from all sides. While progress in approving, building and commissioning nuclear stations has been too slow to satisfy the ENEL, National Electricity Corporation, and the industrialists, the environmentalists, represented most vocally by the Radical Party, are loudly protesting that too much has been done, or is imminent, without adequate safeguards.

Four years ago the first national energy plan (the PEN) announced an ambitious programme for nuclear power which foresaw a quadrupling of output in both the two quinquennia of the 1980s. From a very modest 500,000 tonnes of oil equivalent (mtoe) in 1980, nuclear energy production was expected to increase to 2 mtoe this year and to 8 mtoe in 1990.

Heavy and costly dependence on fuel oil for electricity generation (23m tonnes were burnt in 1980 from total electricity production of 42 mtoe) led Italy's energy planners to decide on diversification, emphasis being given to nuclear power. But an updated version of the PEN, published earlier this year, shows that the planners' dreams are far from coming true.

Nuclear's contribution this year is now expected to be only 1.5 mtoe, while at 4 mtoe in 1990 it will be one half of what was hoped.

According to the revised PEN, every 100MW of nuclear-generated electricity provide annual savings of L400bn (about $212.5m) in the balance of payments, due to the lower imports of fuel oil. So it is hardly surprising that the authorities backed the nuclear choice and its hopes of a 12,000 Mw contribution giving 18 mtoe of annual oil savings by the second half of the 1990s. But the revised PEN now expects 1995's nuclear offering to be worth only about 8 mtoe.

Under Italy's nuclear programme six power stations should be built, each with two reactors and generating plant for 1000 Mw. At Montalto Di Castro, on the coast about 70 miles north of Rome, construction is underway on reactors using General Electric boiling water technology. It is expected that the plant will be commissioned before 1990.

Progress for the other five power stations has however been slow. Although the site for the second, at Trino Vercellese in Piedmont, was finally authorised earlier this year, the procedures for approving the next sites in Lombardy and Apulia are only now starting.

The revised PEN notes that progress on the nuclear front is already showing a two-year slippage against the programme originally laid down in the PEN less than four years ago.

There is little enthusiasm towards nuclear power from inhabitants in those areas where stations are proposed. Vincenzo Vadacca, director of the thermal reactor projects department at Ansaldo, the nuclear and energy engineering company, says that this unwelcoming attitude is due mainly to the disturbance which arises from sites employing several thousands of, workers, and the effect of their paypackets on local price levels.

Sig. Vadacca admits that nuclear power stations do little to add to local employment beyond the medium-term period of construction. Most permanent staff are generally recruited from elsewhere. So the upheaval caused by construction is not compensated by longer-term benefits of more and better paid jobs for locals.

But objections based on the disturbance factor are probably something of a blind. The dangers of nuclear catastrophe almost certainly rank much higher in the order of public concern. "People are now aware that every industrial activity has a risk. Nuclear does not scare the public any longer," claimed Sig Vadacca, rather optimistically.

Widespread aversion to nuclear power stations, particularly if they are sited on the doorstep, is an obstacle which ENEL is trying hard to overcome.

It is an uphill task. ENEL has completed its study of the two alternative sites in Lombardy, the region where the country's first large nuclear power station is already sited. The existence of Caorso (840 MW), about 50 miles south-east of Milan on the River Po, has not been a stimulus or an encouragement to the acceptance of nuclear power at Viadana or San Benedetto Po, further downriver in the province of Mantua.

ENEL's report is now being evaluated by ENEA (the national authority for nuclear and alternative energy), and though a final choice of site is expected before the end of the year, bureaucratic wranglings could easily cause delays.

The chance of reaching agreement on site in Apulia, Italy's south-eastern heel, looks slender.

Ansaldo's interest in Italy's own domestic nuclear plans is understandably considerable. The competition in export markets for the design and construction of nuclear power stations is fierce.

The Genoa-based company, part of the IRI state holding corporation, is engaged on two projects outside Italy.

With hopes for new work abroad now resting on a joint Ansaldo-French tender for the El-Dabaa project in Egypt, against a very tough bid from a Westinghouse-Mitsubishi consortium, Ansaldo is anxious that the nuclear plans laid down in the PEN should be realised.

One of the great advantages of the nuclear proposals in the PEN is that a single standard project is envisaged, using the Westinghouse PWR 312. Based on mature technology and standard components, there should be no gambling on the possible delays associated with working at the frontiers of technological knowledge.

Ansaldo engineers refer, however, to official "schizophrenia" which wants flexibility, particularly in order to be able to improve security as a result of incorporating new advances, at the same time as insisting on standardisation.

Standardisation ought to offer cost advantages. But there has been some super-heated discussion on this. ENEL says that the L4,200bn proposed by Ansaldo for Trinco Vercellese is too high by about L700bn.

In addition, the Radicals are up in arms against proposals by ENEL and ENEA to eliminate local involvement in deciding on where the nuclear stations should be.

Energy business boom

Oil & Gas Equipment

DAVID LANE

FOR A country heavily dependent on imported gas and oil, Italy is remarkably successful in making and selling equipment for the energy business. Representing about 20 per cent of total energy consumed last year, Italy's natural gas burn was 32bn cubic metres (bcm) of which 14 bcm came from indigenous fields and the rest in roughly equal shares from Algeria, Holland and Russia.

Imports of gas are forecast to rise. Dependence on imported oil, a source which supplied about 60 per cent of total national energy needs in 1984, is even heavier.

Yet this dependence of foreign supplies of gas and oil has itself perhaps been an important factor in determining Italian self-sufficiency in the design and manufacture of systems and equipment, and their positive contribution to Italy's balance of trade.

When ENI, the state hydrocarbons holding corporation, struck out for independence by creating its own relations with the oil producers in the 1950s and 1960s, it was challenging the oil majors both in terms of raw material supply and in exploration and development.

ENI companies Snamprogetti and Saipem have provided the kernel around which the manufacturing of energy equipment has formed and grown. Involved in consulting, engineering and prime contracting for oil, gas and petrochemical plant, as well as for onshore and offshore pipelines, Snamprogetti's work takes it some way beyond the corporate boundaries of ENI's own energy subsidiaries.

The same holds true for Saipem which has major international customers for its well-drilling and pipeline construction services.

Italian equipment suppliers have profited from Saipem's innovatory requirements not just in large drilling and pipeline-laying ships and barges, like Saipem Due and Saipem Castoro Sei, but also in the seemingly more mundane but highly critical area of welding.

Equipment requirements at Snamprogetti are somewhat different from its Saipem neighbour on the ENI industrial/administrative campus at San Donato Milanese, on the southern outskirts of Milan. Last year the company spent $275m on equipment in Italy and a further $65m in buying from foreign suppliers.

Company executives estimate that about one third of total purchases were destined for refineries and petrochemical plant and a further quarter for pipelines, though not for the pipes themselves. Similar to Saipem, Snamprogetti reckons that some 80 per cent of its purchases must be made-to-measure rather than be bought off-the-shelf.

While the type of project determines the equipment, leaving aside metal pipes, then pumps, valves, turbines and compressors typically appear on the list of major items which have to be purchased. Snamprogetti names Nuovo Pignone as a principal supplier, for all four items, stressing however that this is due to the range of products and the quality guarantees offered, rather than to the fact that the Florence manufacturer is a sister company within the ENI group.

Last year Nuovo Pignone had a turnover of about L1,000bn (U.S.$531.6m), maintaining levels achieved in the previous two years. Like Saipem and Snamprogetti, the company is profitable, albeit on a modest scale (L10bn in 1982, L17bn in 1983 and unofficially some what higher in 1984).

About 70 per cent of Nuovo Pignone's turnover came from equipment and machinery sales, and these were mainly to the energy sector. Systems and equipment for chemicals, refineries and the nuclear sector accounted for less than one fifth of sales.

The split of sales between the home and export markets closely images Italy's dependence on imported energy, with about 85 per cent of production finding its way abroad.

Nuovo Pignone also has a small involvement in instrumentation and automation systems for the energy sector. Turnover from automation systems amounted to L13bn in 1983 (less than 2 per cent of total turnover), the company obtaining orders for telecontrol systems for pipelines in Egypt and Iraq.

Stimulus

The ENI policy of buying Italian first is clear from Snamprogetti's own figures. Eighty per cent of its work is carried out on behalf of non-Italian clients, but 80 per cent of its equipment purchases are made in Italy. This factor, coupled to the massive investment by sister company Snam in developing the gas distribution network within Italy and the continuing exploration for hydrocarbons at home, has provided an enormous stimulus to national manufacturers of gas and oil equipment.

While ENI companies are grabbing their chances of selling services and equipment to the Shells and BPs of the world, ENI's own Agip, Agip Petroli, Snam and Enichimica companies (with operations in oil, gas and chemicals) are all members of ENI's materials co-ordination group.

This exists to assist synergy in the ENI group and to help set the best conditions for strategic items like, for example, Nuovo Pignone's turbo compressors. But according to executives at Snamprogetti, the materials co-ordination group does not intervene directly on every operating company. Indeed that might be difficult given that ENI has 300 subsidiary operating companies.

"Every engineering company can have a training influence on national industry, and can boost local suppliers tremendously," said Snamprogetti.

Italian gas and oil equipment suppliers have certainly enjoyed encouragement from the ENI operators and engineering subsidiaries, and benefited from the spur.

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New hope for ratepayers

THE BRITISH Government's decision to abandon its widely scorned and disruptive system of targets and penalties on local authority expenditure is to be welcomed unreservedly.

The system, arbitrary in its nature and perverse in its effects, was introduced in 1982 as a panic measure to curb public spending against all available advice. It failed to work and the pity is that it has taken four years for ministers to conclude that it has all been a mistake.

In 1980 the Government legislated to introduce a new system of local government finance which would dispense with the open-ended allocation of government monies to councils on the basis of "the more you spend, the more you get."

The new system, effective from 1982, left the Government to assess the amount of cash a council needed to spend to fund a standard level of services. Higher expenditure was permissible but grant would be paid at a steadily reducing rate the higher spending rose. Thus the cost of an ever greater proportion of higher expenditure would be borne by the local ratepayer rather than the taxpayer. But this system was never given a chance to settle down, the blunt political instrument of targets being introduced almost immediately. Only now can the original system begin to run in.

Benchmark

The key to the system is the Grant Related Expenditure Assessment for each council. This is the benchmark against which grant is distributed. It is calculated by assessing expenditure requirements on a range of more than 60 indicators ranging from the number of children under five to the number of houses requiring refuse collection. These assessments vary in their quality. Some, such as those for education, are in reasonable shape and need refining. Others, such as housing and social services, are inadequate and need urgent reconstruction.

The basis exists for a rational arrangement. What local authorities need now is a period of financial stability while the Government concentrates some effort on improving the grant system.

That is not to say that research work should not proceed on, for example, replacing the non-domestic rate with a national levy on business or the replacement of domestic rates with a poll tax under another name. But the Prime Minister may again have been too quick to commit herself to such propositions before it is clear that they will bring an improvement.

Revaluation

Mr Jenkin gave some signs last week that the need for caution and consolidation may have been recognised. The proportion of council spending funded by grant is to be kept broadly steady after some sharp cuts in previous years. The system will be "damped" to minimise the gains and losses impact of abandoning targets for more than 400 councils.

There is, however, no indication of moves to improve the rating system — no mention of a switch away from notional rental values to capital values as a basis for calculating rates. All hope of a long-overdue rating revaluation in England appears to have vanished after the fiasco in Scotland earlier this year, when local pressure groups forced the Government to make damaging changes in a sensible revaluation.

There was also one disturbing development in Mr Jenkin's statement which was the extension of the Treasury's rate-capping controls to cover 32 local councils and bodies with expenditure of £3.5bn. This marks a dramatic growth of central intervention through an instrument created only last year and said to be required just for a handful of extravagant authorities.

Nonetheless, Mr Jenkin's statement represents a welcome change in mood and emphasis, prompting the hope that the old spirit of co-operation between central and local government might be revived.

Yugoslavia: time for reform

IT ONCE seemed to many people that there was one European country, Yugoslavia, which had perhaps found an ideal middle way between the harshness of orthodox Communism and the inequities of classical capitalism.

The Yugoslavs had developed an attractive, almost hippie, philosophy of "doing their own thing." At the international level, this meant staying clear of both Nato and the Warsaw Pact; at the national level elbow room in the weak federation for the country's many ethnic groups to pursue their interests; and at the local level freedom for workers to manage their own factory affairs. Sadly, the 1980s have proved all this a recipe for increasing chaos.

A major part, or result, of this chaos—the country's continued inability to shoulder its debts — is due for discussion again in London this week between Yugoslavia and its commercial bank creditors. The two sides have been haggling for months about the terms on which to reschedule some $3.5bn of debt falling due in 1985-88. Other elements of at least short-term debt relief have already been negotiated. Western governments have agreed to take delayed repayment of debt falling due before next May, and the International Monetary Fund is, for the fifth successive year, supporting Yugoslavia with a standby loan until next spring. But if this week's talks do not bear fruit, the IMF may not release its next loan tranche due in mid-August, and the whole package could then crumble.

Inefficiencies

Yugoslavia's creditors, naturally, are most anxious about the nose-dive at the start of this year in the country's industrial output and hard currency export earnings. This has made western banks keener than ever to get a high interest rate on the debt rescheduling (the main bone of contention in this week's talks), and western governments less inclined than ever to give Belgrade debt relief of more than one year's duration.

But a far more significant bellwether of the country's endemic problems is the inflation rate, now running at around 80 per cent a year and far the highest in Europe. Indeed it is an indicator of all the Yugoslav system's economic and political inefficiencies. The economy is bent out of shape in many ways, partly to do with its fragmentation, or more aptly balkanisation, along the lines of the country's eight republics and provinces and sub-regions within them, and partly to do with the vaunted system of factory self-management.

Regional autonomy and worker control are the tablets of stone Tito bequeathed. But the comment of the World Bank, made in a recent report on China is that "experience in Yugoslavia suggests that worker control could result in excessive wages and worker benefits, inadequate labour discipline and effort, restriction of employment, and comparative indifference to profitability." That may be stretching the faults of worker control, but at least it seems to be a powerful generator of inflation.

The dilemma for the Yugoslav Government is that the long-time scale for the IMF-prescribed cure to inflation, which Belgrade feels it has to follow to keep creditor confidence, does not match its increasing short term political problems. On the one hand, the IMF says, probably rightly, only long-haul free market policies will effect a cure.

Regulation

On the other hand, accelerating inflation has begun to tear at the fabric of Yugoslav society. It has indirectly aggravated political tensions; the authorities, feeling helpless in other spheres, have recently tried to crack down on political dissidents. It is directly increasing disparities between rich and poor regions.

Small wonder, then, that Prime Minister, Milka Planinc, has at several points in her past three years of office threatened to resign. Her federal government lacks the central financial disciplinary powers that a capitalist government has; she is still fighting recalcitrant republics over a proper foreign exchange system. It also lacks the central controls of an orthodox Communist government, and the IMF opposes any imposition of direct price regulation.

Perhaps a constitutional conference might be able to redraw the country's institutions into more workable form. Since Yugoslavia so closely resembles the EEC as a collection of nation states rather than one unitary state, it might be even more appropriate for Yugoslavia to hold just such a conference as the EEC plans this autumn. Yugoslavia once had, in Tito, someone capable of banging heads together. Mrs Planinc, doughty though she is, is now a political lame duck, in her last year of office. Maybe her successor could tackle the formidable task.

UK INDUSTRIAL TRAINING

Over to the employers...

By Alan Pike, Industrial Correspondent

THE UK Government's strategy is in place for the most determined attempt in decades to modernise industrial training in Britain.

Outdated training methods and skill shortages have been identified as a big handicap in the struggle for economic competitiveness, and the public training programme is being focused much more sharply on specific labour market requirements.

But crucial questions remain unanswered. Can the Government's wish to improve training methods be reconciled with its even more pressing need to reduce the numbers on the unemployment register? And who is going to foot the bill?

UK employers are being offered an unprecedented level of influence over the nation's industrial training system. But this opportunity carries a price which they appear markedly reluctant to accept.

The Government's ambitious programme was set out four years ago in the highly publicised New Training Initiative, which it unveiled along with the Manpower Services Commission. This set out three priorities for action in a programme which won widespread support from industry, trade unions and the education service. These were:

- To abolish time-served apprenticeships and remodel skill training around agreed standards of competence.
- To offer all young people under 18 the chance of either continuing in full-time education or entering a period of planned work experience, training and education.
- To open up widespread opportunities for adults to increase and update their skills during the course of their working lives.

Achieving these changes in full, as the architects of the New Training Initiative recognised, would involve setting an agenda for a decade. But the achievement to date has been patchy.

On the plus side, the abolition of time-served apprenticeships, guarded with pride and jealousy by craft union members and their great-grandfathers, has gone remarkably smoothly—even in areas of potential industrial relations difficulty like printing and engineering.

Against this, the modernisation of apprenticeships has been accompanied by its near-collapse in many industries. In West Germany 600,000 young people annually enter long-term training lasting two or three years. About 40,000 school leavers started apprenticeships in the UK last year.

The Youth Training Scheme, which did not even exist when the New Training Initiative was launched, will next year be doubled in length to two years. But the scheme still has to prove itself in many ways.

An MSC survey shows that some two-thirds of trainees who left YTS between July and September, 1984, went into jobs or further training, with 28 per cent unemployed. By October the unemployed percentage had reached 38 per cent.

Youth training in action in Manchester (left) and (right) Mr Geoffrey Holland, chairman of the Manpower Services Commission.

But the YTS is a considerable step towards ridding the UK of one of its more dubious records—it has until now been one of the very few industrial nations to allow a majority of its young people to go straight from school to work without any systematic vocational preparation and training.

Another MSC venture for young people, the innovative Technical and Vocational Education Initiative for 14-18 year olds, will soon be operating in almost all local education authority areas. Even though only 8 per cent of schools are currently running TVEI courses, the intiative promises to be a significant agent for change throughout the secondary curriculum.

For adult workers, glossy new programmes like the Open Tech—a retraining scheme modelled on the Open University—have been established to harness new technology as a teaching aid and make training more accessible to adults. The output of the MSC's Skillcentres is being directed more specifically at employers' actual training requirements and the retraining needs of people in employment.

Financial pressures have led to a decision to close a third of the MSC's 87 Skillcentres, although the commission stresses that by 1986-87, 250,000 adults a year will receive training—twice as many as in 1983-84. A major national awareness campaign has been launched to promote adult training.

Against all this, opponents fear that the Government's market-led approach will undermine training opportunities for the unemployed.

Research studies, meanwhile, have been undertaken which reinforce the original gloomy suspicions that led to the New Training Initiative—spending on and participation in training in the UK compares very unfavourably with the record of competitors like West Germany, Japan and the U.S. Public spending is relatively high in the UK—the big gap is in the amount that industry contributes.

> The attitude of many UK companies towards training is of someone who believes in giving to charity, and then puts 2p in the collection tin

The Government, in its White Paper Training for Jobs and in countless Ministerial speeches, has stresed that employers must step-up their investment in training. Indeed, the Government's eventual goal is to shift some of the spending currently met by the Exchequer—like the £1.1bn contribution it will be making to the expanded Youth Training Scheme—to employers.

The appropriate order of things, according to Government policy, is for employers to make the necessary investment in training their workers; for the public sector to provide an appropriate structure of general and vocational education; and for trainees themselves to accept that the costs and benefits of training must be taken into account when determining pay and allowances.

Some UK companies do take the retraining of their employees seriously. Some already spend much more on Youth Training Scheme projects than they receive back in allowances from the MSC. But the attitude of many UK companies towards training is like that of someone who sincerely believes in giving to charity, and proves it by putting 2p in the collecting tin.

A survey of private sector companies published by the MSC last month revealed that 89 per cent of employers interviewed regard training as an essential investment. Almost the same proportion believe it is necessary to maximise productivity and profits.

Yet in spite of these encouraging words, the survey found that the same employers spend an average of £200 per employee a year—only 0.15 per cent of turnover—on training. A quarter of the establishments covered by the survey had done no training of any description during the previous year.

Another survey, by the Industrial Society, discovered only two UK companies out of 134 included in the sample—a chartered accountancy practice and a research organisation—which spent more than 3 per cent of turnover on training. Such levels of spending are common among successful organisations in the U.S. and Japan.

Senior MSC officials are engaged in a tireless campaign to persuade UK industry that investment in training is one which pays off as much as investment in new equipment. Much of the equipment which companies use is common throughout the industrialised world, they argue — the real competition comes from training people to make the best use of it.

Mr Geoffrey Holland, director of the MSC and a leading enthusiast for the training cause, says that employers will need "their heads as well as their hearts examining" if they do not support the expanded YTS. "We are talking about do-gooding. We are not talking about social responsibility. We are talking about sound business sense."

Mr Holland sees it as sound business sense because UK employers will be receiving substantial Government help with the costs of training young people. German employers get and expect none.

Critics, however, turn the argument around, and say that employers will not provide enough additional finance to make two-year YTS into the truly worthwhile vocational preparation scheme that Mr Holland and its other architects wish to see.

The Construction Industry Training Board, which runs the largest YTS scheme in the country, has demanded assurances of adequate and permanent Government financial support before it goes ahead with the expanded version. Contrast that with Mr Nigel Lawson, the Chancellor, who in his budget speech announcing the two-year YTS said that "in the longer run we would expect employers to meet the full cost as those in other countries do."

One of the first financial problems arising from the delicately-balanced funding arrangements for the expanded YTS affects the UK's 184 Information Technology Centres (ITECS), which train young people in new technology skills.

Initial pump-priming finance provided by the Department of Trade and Industry when the centres were launched is now coming to an end, and the proposed YTS funding will be insufficient to maintain the centres in their present form. The MSC has given itself until September to complete an urgent study into the future development and funding of ITECs.

There is also not enough money available under the YTS funding arrangements to give special support to industries where skill training still depends upon lengthy and expensive apprenticeship.

Apprentice intake in the engineering industry has declined from peaks of 27,000 in the mid-1970s to around 8,000 this year. Although the modern engineering industry requires fewer employees than in the past, the Engineering Industry Training Board is in no doubt that present levels of apprentice intake will prove insufficient to meet future demands for technicians and craftsmen.

A principal cause of the decline has been the impact of the recession on the industry. But the introduction of YTS also gets some of the blame.

As recently as 1980-81 the Aylesbury Industrial Group Training Centre, which trains engineering apprentices and YTS trainees in a part of the country where skilled engineering workers are in short supply, had 112 young people enrolled by local employers for apprentice training. This year it has 33.

MSC officials believe problems like these will only be solved if employers become convinced that companies which invest in training perform more successfully than those which do not. That is why the emphasis is on persuasion — encouraging employers to accept a responsibility from which they will actually gain.

But if this approach fails? Ever since the New Training Initiative was first devised, the question of introducing a French-style national training tax has been mentioned in MSC discussion documents. The Government itself did not rule out the possibility in its original New Training Initiative White Paper.

So far, the idea has been neither advanced nor abandoned. It remains in the file for a continuing debate within the MSC on the funding of training

Men and Matters

Hancock to help charge Chloride

Sir Michael Edwardes, chairman of Chloride, has recruited one of his old BL chums to help him recharge the troubled batteries group.

He has called in Ron Hancock, the former chairman of Leyland Vehicles, BL's truck and bus subsidiary. Hancock will join the Chloride team at the end of August as chairman of the group's overseas operations and a member of the board.

Although Chloride intends—dissident shareholders permitting — to sell its loss-making operations in the U.S., and the profitable Australian and New Zealand companies, to Dunlop Olympic, it still has a wide spread of interests through Africa, South Africa, India, and the Far East.

Hancock, a tall, bulky, chain-smoker, seems an ideal choice as he had spells as managing director of Leyland's manufacturing operations in India and Australia during his time with BL.

A cost accountant, aged 51, he joined BL in 1968 after working at Mullard and Schweppes. He was called back from running Leyland Australia in 1981 when David Abell left Leyland Vehicles.

Hancock quit Leyland last year while defending a charge of trading in shares while in possession of inside information. He was acquitted in March this year.

Dismissing the charge, the Bow Street magistrate, Barrington Black, said: "It has been said that you are a man of impeccable character, and I hope you go forth with your reputation intact."

Writing practice

A new name will soon appear among the lists of legal authors—that of Clifford-Turner. It will, in fact, be a case of one name covering many.

For 30 members of the firm of City solicitors, including about 20 partners, have had a hand in the book that will bear the firm's name.

Their joint efforts have resulted in a three-volume guide Doing Business in the United Kingdom.

It is intended to be a non-academic, practical tool for U.S. and other foreign companies, and their advisers, telling them all they need to know about Britain, its laws, and tax system.

The law firm was approached by the legal publishers Matthew Bender which wanted a British addition to its series of guides so far published in the U.S., Canada, Mexico, Brazil, West Germany, France and Japan.

The UK study is, however, the first in the series to have been written by a firm of lawyers.

Animal rights

Whitehall mandarins departing officialdom for the richer pastures of the private sector are becoming an everyday occurrence. But there is said to have been more than usual surprise in the civil service when Jim Buckley announced he was joining the exodus. After all he is the secretary of the Civil Service College.

Buckley is an assistant secretary, aged 41, and his career has included postings as private secretary to Lord Soames, Lord Peart, and Lady Young, each of whom has been Leader of the House of Lords and ministerial head of the civil service.

Postings to the private offices of ministers are usually a sign that a civil servant is well thought of by his superiors.

Buckley says he will miss Whitehall. But he was told he would have to remain an assistant secretary for perhaps three more years before he could expect promotion. And the top salary level for assistant secretaries is only £25,500.

His new post as chief executive of the British Veterinary Association (announced in the Veterinary Record) carries a salary of around £30,000, which will lift his pay to under secretary level at a stroke.

Buckley may miss the

delightful grounds of Sunningdale the residential section of the Civil Service College, where he is currently head of the site. But more significant may be the example his early departure sets to apprentice mandarins who pass through the college gates.

Public face?

When Michael Thomas, who left New York investment banking to write financial thrillers, was asked recently to give his impressions of various Wall Street firms he had this to say of Bear, Sterns: "The firm I think of wearing body jewellery—a place for the guys from Seventh Avenue to put their money and quadruple it."

Bear, Sterns, which has made a name for itself as a tough arbitrageur, is more secretive than most about its affairs. But the word is that this may be about to change.

Bear, Sterns, and its larger rival Goldman Sachs, are the only two major firms left on Wall Street which are still organised as private partnerships. There are strong rumours that Bear, Sterns is about to go public.

The firm says it still has not made up its mind whether to convert to public ownership later this year — and whether that would involve a public stock offerings. However, Wall Street insiders believe the decision has been all but taken.

Virtually every big Wall Street brokerage firm, and an increasing number of U.S. lawyers it seems, believe that the disadvantages of private partnerships outweigh the advantages.

In Bear, Sterns' case it does not seem likely that a need for new capital is the primary reason behind its expected move.

The firm's capital has jumped from $73m to more than $600m over the last five years.

The main worry, I am told, is that some of the younger partners are concerned that when their older colleagues die their estates could withdraw money and weaken the firm's capital base.

Euro-cash

Saint Gobain, the nationalised French glass and engineering group, has been found of the European Currency Unit (ECU) for some time.

Now it has decided it likes the unit so much that it has become the first European company to quote its financial results in its annual report in ECUs.

But, lest readers, commentotors, and shareholders cannot make head no tail of the ECU figures, the company has also thoughfully published the figures in French francs.

For other lovers of the European currency unit Saint Gobain is issuing non-voting loan stock denominated in ECUs.

Touching

A reader whose young son departed a fortnight ago to spend a holiday with a school friend has received a postcard from him. "Dear Dad, I'm okay and having a wonderful time. I miss you, so please write, even if it is only a few pounds. Love, Peter."

Observer

Foreign Affairs: South Africa

Why now is the time to impose sanctions

By Ian Davidson

THERE IS a rational, well-meaning and reasonably plausible case against the impositions of economic sanctions on South Africa, and it was briefly sketched out last week by Sir Geoffrey Howe, Britain's Foreign Secretary. A year ago, it would have seemed to me a good deal stronger than the contrary case in favour of sanctions. But today, it seems much more dubious: circumstances have changed. Sir Geoffrey's arguments are not invalid, but they may by now be out of date.

The argument against sanctions is based essentially on four propositions. First, *apartheid* is in the long run irrevocably doomed, regardless of the wishes of the white South Africans. Second, it will be undermined—by economic imperatives, but that undermining will be more benign in conditions of economic prosperity than in austerity and recession. Third, outsiders can have only a marginal impact on the evolution of events in South Africa, compared with the dynamic of politico-economic factors inside the country. Fourth, economic sanctions are more likely to damage the interests of blacks than to change the minds of whites.

Apartheid is irrevocably doomed in the long run, for demographic reasons. At present there are 22m blacks and 4.5m whites. Within 15 years, according to the 1984 South Africa handbook, the black population will have risen to more than 30m, whereas the white population may rise to between 5.2m and 5.8m, depending on migration trends. In the long run this divergence in population trends will make *apartheid* unsustainable.

Even in the short run it is already being undermined by growing white dependence on blacks as producers and consumers. Under pressure from the business community, the Government has been forced to move in the direction of economic liberalisation: the recognition of black trade unions, the reduction in job demarcation on racial grounds, the effective acknowledgement that workers in the black townships are permanent residents with *claims to property rights*, not ephemeral migrants from fictitious homelands.

The advantage of this type of endogenous undermining is that it gives blacks an increasing stake in a politico-economic system which, in the long-term interests of all South Africans and of the West, should be worth preserving and reforming: a vigorous mixed economy, and a politico-legal system which at least pays lip-service to pluralistic democracy and due process of law. Poor economic performance will also undermine *apartheid*, because the costs of containing and policing growing black unemployment will rise, while tax revenues to bear these costs will fall; but among blacks, economic failure will strengthen the arguments of revolutionaries against reformers.

Yet the capacity of foreign governments to determine either of these scenarios can only be marginal, compared with the impact of the weather, of the price of gold, of the value of the dollar and, most importantly, of the policy choices of South African decision-makers. Sanctions may, perversely, stimulate vigorous reactions of self-help, as happened in Rhodesia during UDI.

Finally, because sanctions can have only a marginal impact, they cannot be expected to change the policies of the South African authorities; but even a marginal impact may damage the short-term interests of the most vulnerable section of the population, the blacks, by increasing unemployment.

The trouble with all this is that it takes no account of the dramatic events of recent weeks and months. There would be a strong case against sanctions if the situation inside South Africa were relatively calm and steady, with the Government incontrovertibly in control of events; in such circumstances, even a total naval blockade might not be enough to bring about political change.

But these are *not* the circumstances in South Africa today — and it is becoming doubtful whether they will ever obtain again. In comparison with the prolonged violence of the past year, the outbreaks of Sharpeville in 1960 and Soweto in 1976 shrink into virtual insignificance, and the Government has no answer except massive repression.

It is arguable that the Government will be able to restore "law and order," as it has done in the past, because, in terms of organisation and weapons, the whites still have *the big battalions*. But it is now virtually impossible to believe that the good old days can ever return for white South Africa, or that the Government can turn the clock back to the time before its fateful decision in 1983 to introduce a new constitution which was transparently designed to co-opt the Indians and the Coloureds into a political partnership with the whites, while *offensively excluding* the blacks. Even if the level of violence were to be successfully repressed, the question of black political rights has now displaced the question of black economic advancement as the No 1 issue in South Africa, and this order of priorities is not now likely to be reversible, whatever concessions the Government may offer on the economic front.

> Western governments need to consider whether, for the sake of whites and blacks, their intervention may improve the odds of a better outcome.

The state of emergency may contain the violence for a time, but it will not provide an answer to the question, and it is manifest that the Government does not know how to answer it in any terms which would be easily acceptable to the white electorate. At the beginning of this year it was making vague proposals about talks with black leaders, but the proposals were belied in practice by the arrest on treason charges of a number of leaders from the most representative black political organisation, the United Democratic Front. In short, the Government seems to be in a state of schizophrenic uncertainty about where to go and how to get there.

In these circumstances, the argument that foreign sanctions can only be marginal (ie, ineffective) needs to be re-examined. For what is marginal in conditions of relative internal calm, may become critical in conditions of unrest and uncertainty; and what is marginal and ineffective if carried out by one country, may become critical if carried out by many countries.

This is not to say that a ban on new investment, or a ban on the import of Krugerrands, or a ban on new bank loans, would have a large and immediate economic impact, even cumulative. But the *political* force of such a message from a substantial majority of the *international community might* be considerable. To the extent that the whites in South Africa may be divided and uncertain about the best way to handle their political quandry, that message may be worth sending, even if it has only a small chance of eliciting the right response.

The British Government cites the views of some leading blacks and white liberals who are opposed to foreign sanctions, such as Helen Suzman, Alan Paton and Chief Gatsha Buthelezi. This is tendentious advocacy, as the lawyer in Sir Geoffrey Howe must know. In South Africa it is illegal to call for economic sanctions; even so, it is clear that Bishop Desmond Tutu and the UDF do not agree with his carefully selected witnesses. In any case, since none of these leading figures is in a position to *know* what would be the political and *economic effects of sanctions*, foreign governments have to make their own assessments, even if they know that any choice is bound to contain a large element of gamble.

It could be argued that sanctions represent a hopeless gamble, and would therefore be pointless except as a gesture of moral disapproval. Even if *apartheid* is doomed in the long run, the odds are heavily stacked against the whites ever voluntarily agreeing to surrender their monopoly of political power to the blacks, because it is the bottom two-thirds of the white electorate which would pay the price for such a surrender. They will therefore always seek to postpone that day until the cataclysm imposes it on them.

But even if this is much the most likely scenario, it is not the only conceivable scenario. Western governments need to consider whether, for the sake of the white South Africans as well as for the blacks, their intervention may improve the odds of a better outcome, however unlikely it may appear to be.

There are two reasons why time may be running out, and they are P. W. Botha and Nelson Mandela. President Botha is unquestionably the most reformist white leader South Africa has ever had, even if his reforms so far do not begin to measure up to the scale of the problem. In the process, he has permanently alienated a third of the Afrikaner electorate, without endearing himself to the blacks. Never-the-less, he has clearly and *explicitly* recognised the need for reform, and there is no guarantee that his successor will feel the same. Serious foreign pressure—which does *not* mean sententious speeches and declarations—could strengthen the hand of the reformers against the disciplinarians.

The most ominous indicator of the situation in the black *community has been Bishop* Tutu's public declaration that he would leave South Africa if blacks went on killing blacks; for it showed how little influence is really wielded even by so illustrious and admirable a figure. The white Government has done its best to prevent the emergence of effective black organisations or effective black leaders. If there is ever to be a negotiation on black political rights, it must be with a black leadership which can command some real allegiance and discipline from the rioters and the petrol-bombers, many of whom are teenagers. Nelson *Mandela* may be the *only* credible candidate for the role, but time is not on his side: he is 66, and he has been in prison since before many of the petrol-bombers were born.

None of these considerations makes a sanctions policy anything but a very long-odds gamble, which might well fail entirely to have the desired effect on events in South Africa. After all, for whites as well as blacks, this is increasingly becoming a life-and-death struggle which may exclude any solution. But the state of emergency, the killings and the repression pose two questions which the rest of *the world must answer: if not* sanctions, what? If not now, when?

Nelson Mandela: more than 20 years in prison

Lombard

Dollar fall may not cut deficit

By Samuel Brittan

TWO explanations are usually given for the high and rising *U.S. current account deficit*, which has become the number-one headache for U.S. policy makers and American corporations exposed to international trade.

The first is the high real exchange rate for the dollar. This is, even after the recent fall, 50 per cent *higher in relation* to the mark than it was five years ago, during which period average U.S. inflation has been considerably higher than German. Elementary economics would suggest that a higher real exchange rate discourages exports and encourages imports, both through the price and the profitability routes.

Faster U.S. growth than elsewhere has aggravated the effects of the high dollar by increasing import demand. But nearly all analysts agree that the growth discrepency can explain only a fraction of the increase in the payments deficit and *is* useless in explaining the continuing present deterioration. For the U.S. is now growing no faster than the OECD average.

The second serious explanation of the U.S. trading deficit centres on domestic saving and investment. Domestic saving *has been* too low *to finance* both domestic investment and a rising budget deficit; and the gap has been met by net overseas borrowing.

The current deficit is identical by definition with the capital inflows, and the dollar has had to rise to whatever level necessary to generate that deficit. Thus the exchange rate and savings plus budget stories are reconciled in the end.

So far so good. Now consider the following intellectual puzzle which could easily have practical significance if the dollar crashes in the way predicted *for instance by Stephen Marris* of the Washington Institute for International Economics.

Suppose that the dollar does come down a long way further, but there is still no reduction in the U.S. budget deficit. The exchange rate approach suggests that the current account deficit *ought to shrink — although it* may take some years to do so. The savings and budget deficit theory suggests that it ought to stay roughly where it is. How are the two reconciled?

One possible reconciliation is that domestic U.S. interest rates would rise so much that savings would be stimulated and investment choked off drastically. In that case, there would be no need for a capital inflow or for the current account deficit that is its mirror image.

But this does not have to happen. It is quite possible once the dollar is much lower, and less downside risk is perceived, that overseas investors will continue to be happy to place funds in the U.S. at dollar interest rates not very different from the present.

The obvious route by which a lower dollar could be reconciled with a continuing high current account deficit is staring one in the face, once one realises it. This is simply a sharp rise in the U.S. inflation rate, continuing long enough to offset the dollar's depreciation. In that case the dollar's depreciation *will be nominal, not real*, and there will be no reason why the current account deficit should not run on merrily.

Suppose the Fed found this inflationary take-off unacceptable and tightened monetary policy? The following effects might be experienced: (a) a *brake on the dollar's fall; (b)* less investment and other domestic spending; and (c) possibly more domestic savings at a given level of national income.

But this would be unlikely to be the end of the story. For such a course of events would almost certainly bring a severe recession, with further effects on all the variables mentioned. Some mathematical simulations would be required to work out all the interactions. But before we get lost in their intricacies, we can already draw the main moral.

It has long been known that it is difficult to reduce inflation quickly without a recession. This may be just as true of inflation previously suppressed by overseas borrowing and a high dollar as of the open variety. The least bad outcome for the rest of the world, in the absence of timely action on the budget, may *be U.S. toleration* of some extra inflation in the later 1980s.

Letters to the Editor

The stimulus of acquisition

From Mr R. Oakeshott

Sir,—Anatole Kaletsky (Lombard, July 25) has performed a most worthwhile public service by pointing out that within the financial services sector "the benefits are going to the people with least connection with . . . . socially useful functions." In arguing that other general issues are raised by widespread opening up of pay differentials since Mrs Thatcher first came to power, I do not want to imply any disrespect for that valuable insight.

Whether or not wider post-tax income differentials are socially desirable, the case against them on economic grounds is surely the one which Mrs Thatcher and her supporters have to answer. No doubt managers need to be motivated. But if by a combination of pay increases, tax cuts, share options and so on, the gap between top rewards and average ones becomes really excessive, then surely the motivation of the high fliers is more than offset by the resulting demotivation of the rest. The comparative performances of the British and Japanese economies is at least weak evidence that our differentials are already too wide.

There is also an increasing body of evidence at the level of the individual firm which points in the same direction. The success story of the Mondragon co-operatives is now too well known to be worth repeating. Of course it would be absurd to argue that the success was based on a policy of keeping differentials narrower than those dictated by the market. But just such a policy is a highly eye catching feature of their arrangements.

Less well known in this country are a surprisingly successful group of worker owned plywood manufacturing businesses in the Pacific North West of the U.S. Their policy is that all worker owners receive equal pay. A recent study affirms that they: "are generally conceded to be the source of the highest quality product in the industry . . . . (and to be) characterised by higher levels of productivity than those in conventional firms . . . . Several reports suggest in fact that when measured in terms of square feet per man hour worker owned firms are from 25 per cent to 60 per cent more productive than conventional ones."

The more general point which Mrs Thatcher and those who think like her tend to neglect was grasped long ago by Bishop Gore when he wrote: "The stimulus of unlimited acquisition, it is sometimes pleaded, is necessary to bring out of men their greatest capacity and energy. If you restrain a man's freedom to acquire, you damp his energy. But what about the energy of the masses of men who can acquire no property or no sufficient property to give them secure status and hope? If you go some way towards equalising opportunity . . . will you not stimulate a thousand energies and interests to one which you may check?"

Robert Oakeshott.
Job Ownership,
9, Poland Street, W1.

Words and deeds

From Sir Kenneth Lewis MP

Sir,—Mr Nigel Lawson, the Chancellor of the Exchequer, in a recent speech to the Confederation of British Industry called upon industry to cut back its wage and salary increases. He suggested that 1 per cent on the national wage and salary bill was more damaging and costly than 1 per cent on interest rates.

Following the acceptance by the Prime Minister and the Government of the proposals of the Top Salary Review Body perhaps the CBI should seek a meeting with the Chancellor of the Exchequer to ask which predominates, the voice or the action.

It is as certain as night follows day that, both in the public and the private sector, there will be a push for more pay on the basis that the Government has had a change of heart!

(Sir) Kenneth Lewis.
House of Commons, SW1.

Talent and the real world

From the SDP/Liberal Alliance Prospective Parliamentary Candidate for Norwich South

Sir,—For a long time, people in business in the City have been worried that far too many good graduates have been attracted to the civil service, rather than to the real world of private enterprise.

The review body on top salaries now tells us there is a serious problem that, if not at least in the future, the civil service may not be able to attract and retain people of the quality which it wants. And a very good thing too. The Government has screwed up the negotiations with the teachers by giving top civil servants huge percentage increases. Why does it not congratulate itself that good people want *to leave the civil* service for the real world, and keep civil service pay down accordingly? Perhaps it does not really want to reduce the size and quality of the public sector, and does not want to reinvigorate private industry by releasing good talent to it.

C. J. M. Hardie.
The Old Rectory,
Metton, Norfolk.

Intellectual types

From Mr W. A. Wood

Sir,—The article by Michael Dixon (July 15) concerning the future of British business schools suggests that graduates of MBA courses are likely to be people with "overblown expectations—not decision-makers—just intellectual civil servant types." This remark is ill-informed, insofar as it reveals a lack of understanding of the role of the administrative civil servant. One might infer from it a failure to appreciate the less conventional roles of civil servants. Also, it devalues the courses themselves.

As a [mature] civil servant struggling to fulfil the considerable demands of my work while studying part-time for an M.Sc. degree in Management Sciences [UMIST], I feel offended at the stereotyping of civil servants. As a manager who feels he has gained considerable benefit from that course, I am saddened that so many senior managers appear ready to belittle a system of which, presumably, they have little direct experience.

Surely it is the responsibility of the employing organisation to manage its business school graduates so that what they have learned produces the maximum benefit for the organisation—if not, their staff selection and placement processes *might bear re-appraisal*. Stereotyping them, in the way that some current senior managers appear to be doing, emphasises the need for future senior managers to receive training which will eliminate such prejudices.

W. A. Wood.
Stonewold, Patience Lane,
Wormanton, W. Yorks.

Monetary policy

From Mr M. Kuczynski

Sir,—Prof Dornbusch (July 24) has repeated his authoritative *call for fiscal expansion* in the UK, coupled with a sufficiently tight monetary policy to hold sterling steady against the European Monetary System. He tells the Government to take a leaf out of the Reagan book; and indeed its thinking appears to have been running along the same lines for some time. But can it be done?

Over 1982-84 GNP went up by 11 per cent in the U.S., and the volume of imports by three times as much. The dollar's effective exchange rate appreciated by 12 per cent, and the volume of exports remained flat. Appreciation, stable wholesale prices, continued domestic expansion, and heavy foreign borrowing to pay for imports all fed on each other quite *happily for two years; providing* powerful, if transitory and circumstantial, support for the mix of policies which Prof Dornbusch advocates.

In the UK over the recovery from the trough of 1981 to the first quarter of 1985, GNP also went up by 11 per cent and the *volume of imports* by 36 per cent. But there the coincidence stops. Sterling depreciated by 25 per cent, which may have boosted export volume (up 15 per cent), but makes the flood of imports a far more disturbing phenomenon than in the U.S. Nor is there any suggestion of restocking in the import figures; the stocks to GNP ratio fell and remains abnormally low.

This is of course the old enemy, import penetration. It is the sticking point in Prof Dornbusch's policy. Given the present productive structure, without separate measures to deal with imports — to say nothing of the capital outflow which perceptions of the situation induce — is it possible to find a monetary policy tight enough to hold the exchange rate, while conducting a fiscal policy easy enough to see the expansion through despite relatively high interest rates?

Michael Kuczynski.
Pembroke College, Cambridge.

Missing the point

From Mr G. Wood.

Sir,—Why does King Canute continue to be misunderstood? I refer to Godfrey Hodgson's otherwise excellent article on sport and TV (July 24). Mr Hodgson aludes to the "King Canute of legend, who thought he could simply tell the tide to recede." The historical Canute is said to have arranged this little demonstration of his human limitations for the benefit of over-flattering courtiers. Nobody would have been more surprised than he, had he succeeded. But I do not doubt that the courtiers, like most people since, completely missed the point.

Gregory Wood.
1/9 Dornham Road, N1.

FINANCIAL TIMES

Monday July 29 1985

Terry Byland on Wall Street

Tobacco proves addictive

THE STOCK performance of the leading tobacco companies provides the clearest example of the difference between professional and emotional investment attitudes. The stocks are regularly savaged in the market when the medical implications of cigarette smoking are aired in the public forum. Yet they remain prominent in institutional portfolios and the companies' quarterly earnings reports are regularly applauded.

In the past few weeks, Philip Morris and R. J. Reynolds have been in the doghouse again, shedding around 10 per cent while the industrial stock market has touched new peaks. Their decline, caused by investor nervousness over pending lawsuits for cancer deaths, came after a two-year period in which tobacco stocks had outperformed the Standard & Poor's 500 index.

In fact, the stocks have not done at all badly over, say, the past two months. Philip Morris has rewarded stockholders who refused to be frightened out of the stock with a 25 per cent increase in second-quarter profits.

The logic behind holding tobacco stocks rests on both idealistic and practical grounds. On the one hand, the big companies are only too determined to shift out of tobacco and into less hazardous fields of profit. On the other hand, smokers continue buying cigarettes, don't they?

The latest falls in tobacco stock prices seem to have been overdone. Both Philip Morris and Reynolds now sell at about 40 per cent discounts to the earnings ratio on the Standard & Poor's 500 index, after allowing for Wall Street profit forecasts.

Company	P/E	52-week price range ($)
R. J. Reynolds	6	32-27
Philip Morris	10	95-67
U.S. Tobacco	13	39-32

That seems too substantial a differential at a time when consumers continue to spend without qualms although clouds gather over the U.S. economy. Mr Ronald Morrow, tobacco analyst at Smith Barney, believes that 10 per cent to 15 per cents discounts against the S & P ratio have in the past represented an adequate allowance for the tobacco industry's susceptibility to health concerns.

Both Philip Morris and R. J. Reynold's stocks would have to rise sharply over the next 12 months to bring a return to this traditional measuring tape of the sector. Forecasts for Philip Morris's earnings for the current year have been upgraded to $12 a share, indicating that the stock would need to rise to around $110 – 30 per cent above its present level – to restore its earnings ratio to a 10 per cent discount against the S & P.

Moreover, the present weakness in stock prices gives little credence to diversification policies at the big companies. When its acquisition of Nabisco Brands, is completed. Reynolds will be taking about 40 per cent of it operating profit from non-tobacco business, against 10 per cent now.

Philip Morris has been more cagey – "It is still basically a cigarette company," commented Mr Emanuel Goldman, of Montgomery Securities. So it is, and it was the cigarette price increases in December 1984 and June this year that are giving this year's profits their boost.

Another price rise is predicted near Christmas, and Wall Street is already upgrading fiscal 1985 forecasts after the successful second quarter.

But Philip Morris has also been widely rumoured as the next takeover predator, with eyes roaming in Europe for a large, profitable, non-tobacco industry acquisition.

The wild card for investors in the industry is U.S. Tobacco, which has benefited to an extraordinary degree from its dominating hold over the chewing tobacco market. The implications of chewing tobacco on health were curiously overlooked when the anti-smoking lobby first prevailed upon the Federal regulators to outlaw tobacco industry advertising on television. Partly because of that, and partly because of the strange undercurrents of popular taste, U.S. Tobacco has recorded the highest returns on equity and invested capital in the industry over recent years. Yet its earnings ratio has dipped to 81 per cent of the S & P, a far cry from the premiums of around 30 per cent of the recent past.

Despite the renewed furore over the possible legal implications of health problems, there is little reason to believe that the big world tobacco companies are suddenly going to disappear from the stock market.

As long as the leading companies maintain their attractive earnings record, the stocks will continue to provide buying opportunities whenever a health scare frightens some investors out of the stocks.

REPROCESSING COMPLEX TO TREAT SPENT EUROPEAN NUCLEAR FUEL

Paris seeks N-plant backing

BY DAVID MARSH IN PARIS

FRANCE is hoping to win British support for a joint project to build a large nuclear reprocessing plant at Marcoule in the Rhône Valley which would treat spent fuel from European fast breeder reactors in the 1990s.

The French plan has been put forward as an alternative to a controversial bid by the British nuclear industry to build a fast breeder fuel reprocessing complex at Dounreay in Caithness.

M François de Wissocq, chairman of the French state nuclear fuels concern Cogema, said his company was discussing with British Nuclear Fuels a possible plan jointly to build the reprocessing plant in France rather than Scotland.

However, British Nuclear Fuels said in London last night there was "no deal being cooked up between Britain and France."

BNFL added: "We are very determined that Scotland is the right place to put the reprocessing plant and we will be pursuing this vigorously."

A decision on whether and where to build the complex, which will be designed to treat spent fuel from three large fast breeder reactors, will not be made for at least 18 months. M de Wissocq said it would be up to European electricity utilities, which will be financing the reprocessing plant, to decide on the site as a result of "economic and technological criteria."

Under the agreement setting up a European Club to produce a second commercial-scale fast breeder reactor, the member countries would each have a token minority stake in the associated reprocessing plant. There is general agreement that there would only be demand for a single plant.

"It would be just as accurate to say we were having talks with the French about them jointly building our reprocessing plant at Dounreay," the company said.

The decision on which country "wins" the reprocessing plant, it is believed, will be taken at a political rather than at industry level.

France has been pondering for some time a plan to build a 50 tonnes a year commercial-size fast breeder reprocessing plant at Marcoule, designated MAR-600, to add to existing small-scale facilities. But this is the first time that explicit mention has been made of a possible British role in carrying out the operation.

Britain last year joined the European "club" – also including Belgium, France, West Germany and Italy – which plans to complete towards the end of the 1990s a second commercial-scale fast breeder. This is scheduled to follow the FFr 20bn ($2.32bn) French-led Superphénix reactor planned to go on stream next year.

France has recently been scaling back targets for commercial introduction of plutonium-fuelled fast breeders. These are now not foreseen as being competitive with thermal nuclear reactors at least until the first decade of the next century Superphénix, which is coming on stream several years later than *originally sheduled, will produce* electricity at twice the cost of France's network of pressurised water reactors (PWRs).

Cogema is putting together detailed plans for MAR-600 ready for submission to governments and utilities by the end of next year. A decision on building the plant is expected to be made at about the same time as countries decide on constructing a second Superphénix-type reactor – a project in which Britain is expected to have a stake of around 16 per cent.

Originally this decision was expected to be made at the end of 1986 or at the beginning of 1987, about a year after the entry into service of Superphénix. But there may be some slippage in the date because of general uncertainties over how quickly Europe wants to proceed with fast breeder plans.

The British nuclear industry set down in May plans to build the Caithness reprocessing plant at a cost of about £200m ($282m). The British Government is supporting the request for planning permission by the UK Atomic Energy Authority and British Nuclear Fuels, although strong opposition has been declared by UK anti-nuclear movements.

M de Wissocq carefully avoided claiming that France's fast breeder reprocessing technology was superior to Britain's. But he underlined the experience France has gained in reprocessing fuel from its Rhapsodie and Phénix prototype breeders over the past two decades. Additionally, Cogema believes that its commercial light water reactor reprocessing complex at La Hague, on the Normandy coast, has given it a technological lead in treating high burn-up fuels. The La Hague complex, built in 1966 and currently being expanded, has reprocessed 1,200 tonnes of LWR fuels, more than any other LWR fuel reprocessing plant.

M de Wissocq pointed out that since only one European fast reactor reprocessing plant was being considered for the foreseeable future, the project would have to be as industrially credible as possible in the eyes of electricity utilities.

IMF clears way for loan to Colombia

BY ROBERT GRAHAM IN BOGOTA

THE INTERNATIONAL Monetary Fund (IMF) has announced formal approval of the economic performance of Colombia, paving the way for a quick conclusion to negotiations with commercial banks for a $1bn loan.

The decision sets a precedent, enabling Colombia to seek fresh funds from the commercial banks without first resorting to an IMF standby credit and without restructuring its $13.5bn foreign debt.

All objections to setting the precedent were dropped during a five hour meeting in Washington of the fund's directors. The statement of approval was set as a condition by the banks providing the new money, which will increase their exposure to Colombia by nearly 6 per cent.

"We are delighted that the fund has endorsed our performance since we feel we are meeting all our targets," Sr Roberto Junguito Bonnet, the Colombian Finance Minister, said. With fiscal receipts up 40 per cent in the first half of the year and government spending down 30 per cent, the IMF believes the public sector deficit can be cut as planned from 7.6 per cent of GDP to 4.9 per cent. Sr Junguito also said that reserves at $1.6bn in mid-July are slightly above projections given to the fund.

"It has been important for us to show that we can obtain fresh funds from the banks and not resort to an IMF standby or an adjustment programme. The IMF has never done this before and we want to make out that Colombia is not like other Latin American debtors," Sr Junguito said.

An additional sop to the commercial banks has been the drawing up of an economic plan through 1988 which the IMF will now monitor at six-monthly intervals.

Terms for the $1bn loan, co-ordinated by Chemical Bank, were finalised in June. Over 250 banks were invited to take part and by the weekend $925m had been committed, according to Sr Junguito.

"With the Fund's action we expect to be able to tie up the final commitments and details by the end of August," he said. A number of banks have hesitated until the Fund's position was made clear.

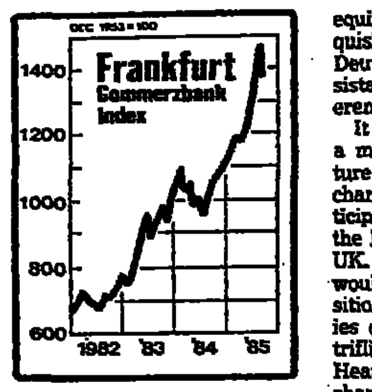
The loan will be used by the state oil company, Ecopetrol; the national coal concern, Carbocol; the central bank and the republic itself. The bulk of the funds ($623m) will go to Ecopetrol and Carbocol while $100m will be used by the central bank to recapitalise banks in difficulties. Drawings on the loan will be spread, with $515m taken this year.

International credits, Page 19

THE LEX COLUMN

A party made by gatecrashers

Until a hiccup in the middle of the month, West Germany was in the throes of the most prolonged and vigorous bull market since the late 1950s and the greatest volume of new issues ever. Yet, last year, the West German public deployed less than 1 per cent of its new savings directly into equities; this year has seen the market rise 30 per cent despite a net redemption of unit trusts; while at the last count, the insurance industry has piled into domestic shares with about 2 per cent of its assets. To a large extent, the West Germans have allowed foreigners to buy their industry from under them.



Of course, the West German public has lost its savings twice this century and might be averse to risk investment at home even if West Germany had not enjoyed positive real interest rates since its foundation. Like good rentiers, private investors have sought ever more exotic fixed-interest investments to the detriment of their bankers' interest margins; in contrast, the stock market has only once – at the turn of the 1980s – yielded more than 5 per cent gross and it returns 3.5 per cent now.

Prejudice

Luckily, the private investor's disdain for the stock market is mirrored by finance directors' historic distrust of equity as a source of capital. West German industry still tends to use pension provisions as working capital, despite the lesson of AEG, which collapsed under DM 1.8bn in unfunded pension liabilities during the summer of 1982. The ratio of equity to gross assets has stabilised at a little less than 20 per cent for industry as a whole, but that is a good third below the ratio in 1960 – as is the number of listed companies. Even the removal of double taxation on dividends in 1977 could not dispel the prejudice against equity issuance.

Not unnaturally, the equity market used to meander up and down in line with Bundesbank interest-rate policy; when money was tight, highly geared balance sheets resulted in slim post-interest margins and intensified the preference for fixed-interest investments. All this is changing.

At the beginning of 1981, the U.S. pension fund industry joined miscellaneous Arab, DM-zone and UK money in buying West German equities. Even with a capitalisation of DM 300bn, firm holdings and cross-holdings make West Germany a scarcity market with almost half the value theoretically accounted for by the heavyweights: Daimler, Siemens, chemicals, Allianz and Deutsche Bank. The exchanges are still shell-shocked by the events of July 5, when 5m shares changed hands and everybody went without afternoon coffee and cake. For U.S. investors, a market valued at 11 times adjusted 1985 earnings – or not much more than in 1982 – remains attractive when corporate earnings in the quoted sector are expected to grow by 20 per cent this year and private consumption looks set to pick up in advance of pre-election tax cuts in 1986.

Foreigners increased their share purchases from a net DM 600m in 1980 to DM 3.7bn last year, while in the first five months of 1985 they acquired new equity worth no less than DM 4.4bn. Further D-Mark appreciation against the dollar is a bonus for U.S. investors, if not for those companies, such as Porsche, with heavy North American exposure.

Niggled by the activities of a small Munich company called Portfolio Management, the banks (above all, Deutsche) have been prodding companies to the market. But for every one of the 26 companies floated since 1984, another candidate has said it is sound enough after two years' retained profits to stay private. Whether the momentum of stock market listings continues will depend on the much-discussed new second-tier market, but probably more on the stricter disclosure requirements for limited companies outside the market. For these, a listing will be that much less of a plunge.

Even where companies such as Porsche and Nixdorf have come to the market under Deutsche's protection, their willingness to sell equity has not extended to relinquishing any element of control. Deutsche took the line of least resistance in offering non-voting preference shares.

It is possible that the doctrine of a more Anglo-Saxon equity structure in the sale of Lufthansa might change public attitudes to risk participation, in much the same way as the British Telecom sale did in the UK. But here, Deutsche Bank would be taking on a political opposition that makes the legal difficulties of British Airways seem quite trifling. It is as if the mayor of Heathrow were to suggest that BA shares should carry no voting rights.

But there is one entrant into the market as potentially important as the U.S. pension industry: the Special Funds. These are funds managed by the banks, usually for a single investor, and they have invested up to 25 per cent at the last count in domestic equities – against 15 per cent for the moribund mutual funds. The chief investors are insurance companies, but a number of foreign companies with West German pension liabilities (such as IBM Deutschland) or highly liquid domestic companies (such as Siemens) have been attracted by the tax advantages: the certificates are depreciated *in the balance sheet* but capital gains are held in the fund until they are tax-efficient.

Influence

Deutsche Bank's vast industrial holding remains an enigma. The industrial empire places a strain on the bank's balance sheet; holdings have to be matched by bank equity one-for-one and this is expensive even where the industrial investments are carried at pre-war book values. Nor do they provide the bank with as much influence as is commonly thought: the attempt by Deutsche Bank and Allianz to bang the steel barons' heads together in 1983 was a dismal failure.

Moreover, to float off the industrial portfolio would saddle Deutsche with a monstrous tax liability. Some consolation, then, that it is now possible to do the necessary capital strengthening through a characteristic issue of non-voting, profit-sharing instruments, as Commerzbank has done. For the Bundesbank's purposes, these count as equity: much like the British clearers' issues of perpetual floating-rate notes, they merely transfer a problem to somewhere more convenient.

U.S. near S. African sanctions

Continued from Page 1

"if a proper appointment were made."

Bishop Tutu said he would today make a formal request for a meeting. The two men last met in August 1980, when the Bishop was secretary general of the South African Council of Churches, at a time of black unrest, strikes and allegation of police repression.

Those talks, described as "frank", were criticised by black clerics including Reverend Alan Boesak, now a leading member of the United Democratic Front, the multi-racial coalition opposed to apartheid. They were not followed up.

Bishop Tutu was reluctant this weekend to speculate on what the forthcoming meeting with Mr Botha might lead to. Since the declaration of emergency on July 20 over 1,000 blacks have been arrested, and Bishop Tutu is one of the few authentic black leaders still at liberty. But although he has considerable moral authority, there are signs that young militants are impatient with his appeals for restraint.

● Spain has retained its ambassador to South Africa for consultations in Madrid, while the government considers its response to the state of emergency, **writes David White in Madrid.** The ambassador, Sr Frederico Garayalde, has been on home leave.

● West Germany yesterday reiterated its decision not to join Britain in imposing sanctions on South Africa, **Reuter reports from Bonn.**

Chancellor Helmut Kohl said his Government rejected France's argument that an investments freeze and withdrawal of its ambassador would force Pretoria to change its policies.

VW European sales soar in first half

BY JOHN DAVIES IN FRANKFURT

VOLKSWAGEN, West Germany's biggest car manufacturer, has achieved record sales in Europe and increased its market share in a fiercely competitive battle with other mass-production carmakers.

Boosted above all by demand for the Golf, VW and its Audi subsidiary sold 715,000 cars in Europe in the first half of this year, 7.8 per cent more than a year earlier.

Expansion in European export markets more than offset a decline in the group's sales in West Germany, where the market has been disrupted by the controversy over tighter emission controls.

The VW/Audi group lifted its share of the European car market from 12 per cent a year ago to a best-ever 13 per cent. Audi's share remained stable at 2.6 per cent, while VW models moved up to 10.4 per cent from 9.4 per cent.

VW has been making strenuous efforts to strengthen its position in the closely fought race with five other groups – Ford, Fiat, General Motors (Opel/Vauxhall), Peugeot-Citroën-Talbot and Renault.

Each of these six groups had a European market share of between 11 per cent and 12.8 per cent for the full year 1984, with Ford narrowly ahead of Fiat, which was followed by VW/Audi in third position. The Japanese had a total market share of more than 10 per cent.

VW says full details of the industry's performance throughout Europe in the first half of this year are not yet known and it has refrained from claiming a position in the rankings.

World-wide, VW/Audi sold 1.2m vehicles in the first half of this year, a modest 4.1 per cent more than in the same period last year. VW sales were held back by strikes at its plant in Brazil and a weaker car market in South Africa.

After losses of DM 300m ($105m) in 1982 and DM 215m in 1983, VW turned in a group profit of DM 228m last year and resumed paying a dividend.

By contrast, Opel, the Rüsselsheim-based subsidiary of General Motors, lost DM 695m last year, while Fordwerke, the West German subsidiary of Ford, reported a loss of DM 298m.

VW has been building up its labour force, to offset the effects of shorter working hours and to enable it to meet growing orders.

Its recovery suffered a setback during industrial action over shorter hours in the West German metal industries in May and June last year. But during the conflict, VW kept assembly work going for longer than other car makers, with the notable exception of Ford-Werke.

The whole West German car market suffered another setback late last year and early this year. Many motorists put off buying new cars because of uncertainty about the effects of the Bonn Government's plan to tighten car emission controls.

As a result, new-car registrations in West Germany in the first six months of this year were down 7.9 per cent on a year ago. But the VW/Audi sales of passenger cars fell less sharply to about 350,600, giving the group an increased market share of 28.9 per cent, compared with 27.6 per cent in the first half of last year.

In the rest of Europe, new registrations of VW/Audi cars reached 364,400 in the first half of this year, 21.6 per cent more than a year earlier.

British advice sought

Continued from Page 1

tries had more highly developed systems for investing in equities than others. Groups like Lazards, therefore, sometimes found themselves breaking new ground when advising countries with less sophisticated capital markets.

"There is a body of knowledge in London now that simply did not exist five years ago," Mr Agius said. "I think one thing that has helped is that Britain now has more of a privatisation programme – whereas in the early days individual privatisation schemes looked more like isolated events".

The Treasury appears to be taking a decidely low profile approach to the export spin-off from privatisation. The reasons for this are not clear. But it is thought there may be concern about offending foreign governments by talking too freely about the interest they have expressed.

Mr John Moore, Financial Secretary to the Treasury, announced earlier this month that the Government intends to push through the privatisation of at least eight corporations – worth an estimated total of some £8.5bn ($11.9bn) – before the next general election.

Mr Moore said that if the Government achieved its programme in *full, its involvement in state-owned* businesses would have been almost halved since the Conservatives came to power in 1979.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	30	86	Malaga	S	31	88	Salzburg	S	30	86
Akrotiri	S	33	91	Faro	S	23	73	Malta	S	31	88	Seoul	F	33	91
Algiers	S	33	91	Florence	S	33	91	Manila	F	32	90	Singapore	F	28	82
Amsterdam	C	21	70	Frankfurt	S	27	81	Miami	C	30	86	Stockholm	F	20	68
Athens	S	31	88	Funchal	S	23	73	Milan	F	30	86	Strasbourg	S	28	82
Bahrain	S	36	97	Geneva	F	29	84	Moscow	F	20	68	Sydney	S	19	66
Bangkok	F	32	90	Gibraltar	S	26	79	Munich	S	29	84	Taipei	C	34	93
Barcelona	S	28	82	Guernsey	S	17	63	Nairobi	—	—	—	Tangier	S	23	73
Beirut	F	34	93	Helsinki	R	17	63	Naples	—	—	—	Tehran	—	—	—
Belgrade	S	31	88	H. Kong	F	29	84	New Delhi	F	32	90	Tel Aviv	S	32	90
Berlin	F	23	73	Innsbruck	S	30	86	New York	C	29	84	Tenerife	S	26	79
Biarritz	S	25	77	Inverness	S	17	63	Nice	S	28	82	Tokyo	S	32	90
Blackpool	R	17	63	Istanbul	S	28	82	Oporto	C	19	66	Toronto	F	26	79
Bordeaux	F	24	75	Jersey	S	19	66	Oslo	F	21	70	Tunis	S	34	93
Brussels	R	20	68	Jo'burg	F	18	64	Paris	F	16	61	Valencia	S	37	99
Budapest	S	29	84	Las Palmas	S	25	77	Prague	S	25	77	Venice	S	29	84
B. Aires	C	16	61	Lima	F	19	66	Reykjavik	R	10	50	Vienna	F	27	81
Cairo	S	35	95	Lisbon	F	23	73	Rio de Ja	F	27	81	Warsaw	S	23	73
Cape Town	S	19	66	Locarno	C	25	77	Rome	S	31	88	Zurich	S	29	84
Caracas	F	29	84	London	R	16	61								
Casablanca	—	—	—	Los Angeles	F	31	88								
Copenhagen	F	21	70	Luxembourg	C	24	75								
Corfu	S	32	90	Madrid	S	28	82								
Dublin	R	12	54	Majorca	S	29	84								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Uganda regime calls for calm

Continued from Page 1

ernment of Mr Yoweri Museveni, leader of the National Resistance Army which has been waging a guerrilla campaign to overthrow Dr Obote. Speaking in Stockholm over the weekend, Mr Museveni appeared to keep his options open, saying that he would co-operate with the new administration only if democracy and peace could be guaranteed.

Mr Paul Ssemogerere, leader of the Democratic Party which has long been strongly critical of the ousted Government, had made no comment by last night.

French row over closure

Continued from Page 1

weekend in protest against the Government's attitude to the steel restructuring and its decision to close the plant once jobs are found for the local workers.

The dispute over the closure of Trith-Saint-Leger eloquently reflects the turmoil inside the Socialist Party with the approach of next year's parliamentary elections. The Government is intent on maintaining a rigorous economic policy and refusing to make any electoral hand-outs because it believes it will be ultimately judged on its economic performance and results, but *many local socialist deputies and* councillors are worried about the political repercussions of the Government's policies in their constituencies.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Monday July 29 1985

Comalco launches $480m refinancing

BY ALEXANDER NICOLL IN LONDON

THE EUROMARKETS were reminded sharply last week that, even if a summer lull has settled on this hemisphere, it is winter in Australia and still very much the weather for doing business.

Late on Friday, two Australian borrowers brought life to a Euronote market that was otherwise virtually starved of new deals.

Comalco, the aluminium group in which CRA has a 67 per cent holding, launched a $480m refinancing package, increased from the $450m envisaged when the deal was mandated to Credit Suisse First Boston and Morgan Guaranty four weeks ago.

The package, being syndicated *among a small number of banks*, comprises a $300m global note facility and a $180m floating rate note guarantee facility. The former, providing for the issue of Euronotes, commercial paper or swingline advances, has a 0.125 per cent facility fee and a 0.15 per cent maximum spread on Euronotes, with supplements if the facility is heavily used. Banks will also receive fees for letters of credit issued to back commercial paper. Under the FRN facility, banks will counter-indemnify the guarantor of an FRN to be launched later.

Morgan Guaranty has also been mandated to refashion a $110m loan it headed in November 1983 for ACI Coal, a subsidiary of the diversified group Australian Consolidated Industries.

Although the borrower may still make drawings under the existing loan, adjusted to a revolving basis, it will primarily issue Euronotes instead. *The funding is to finance its* participation in the joint-venture Curragh coal project in Queensland. The Euronotes will be supported by a letter of credit from Long Term Credit Bank of Japan. This support feature, unusual for a project financing, will also be applied to issues of U.S. commercial paper by ACI under the facility.

Existing syndicate members will be asked to underwrite Euronote issues to be made through a tender panel, and to counter-indemnify LTCB if non-payment by ACI should force disbursements under its letter of credit.

Blue Circle Industries, the UK cement manufacturer, has increased its 10-year note issuance facility from $150m to $200m following an enthusiastic response in syndication. The deal, led by Orion Royal Bank with Lloyds Merchant Bank as co-lead, includes a swingline increased from $70m to $100m and options for the borrower to use a tender panel or to set a spread itself.

Elsewhere, American Airlines is expected to award a mandate this week for its planned $300m backstop facility after bids closed on Friday. France's $3.6bn refinancing is reported to be going well and a mandate is still awaited on the $180m loan for Public Power Corporation of Greece.

Colombia's $1bn loan, upon which replies were due from banks last week, appears to have achieved the necessary critical mass. Chemical Bank reported on Friday that it was 90 per cent committed, with ritual attempts under way to coax in reluctant creditor banks.

Uruguayan officials on Friday ended two days of preliminary talks with the country's bank advisory committee, headed by Citibank. They discussed the country's economic projections, and a further meeting to forge plans for a new financing package to be accompanied by an IMF agreement.

Yugoslavia will meet its advisory committee in London tomorrow, in an attempt to thrash out differences, principally over interest rates, which have blocked agreement on a $3.5bn rescheduling. Bankers were not optimistic that the differences would be resolved.

BHF Bank bond average

July 26		Previous
104.156		104.084
High	1985	Low
104.156		99.840

Playing the equity instrument

By Our Euromarkets Staff

THE JIGSAW puzzle of the futures and options markets has found another piece. Alongside the fast-growing range of combinations of instruments, there is to be a new product from the Melbourne stock exchange: futures on individual Australian equities.

Equity futures are not new. They have been traded on the Rio de Janeiro stock exchange for some years and accounted for 84 per cent of exchange turnover in 1981. That proportion, as well as the number of listed companies, has declined in recent years and the Melbourne venture should thrust the instrument more clearly into international view.

Trading in the new Australian futures contracts (AFCs) is set to begin cautiously in October with four blue-chip shares, yet to be named. The Australian arm of London's International Commodities Clearing House will act as clearer. An AFC will represent a parcel of between 5,000 and 20,000 shares.

AFCs will allow portfolio managers to hedge holdings of individual equities, or to make short-term plays without putting up the money for a full-scale equity purchase. They will also enable institutions to employ more complex trading strategies in conjunction with their use of other exchanges.

Writers of stock options traded on the Sydney stock exchange will be able to hedge their exposure through AFCs. The new market could be used in conjunction with the share index futures and options contracts traded on the Sydney futures exchange.

Melbourne may not be quickly copied. Equity futures are barred by law in the U.S. Wags might argue that such a market already exists in London – and without margin requirements – because of the two-week dealing account period. But perhaps Britain's financial revolution might threaten that time-honoured practice as well.

Australian deals in the limelight

BY MAGGIE URRY IN LONDON

IS THE Australian dollar taking over from the U.S. currency as the mainstay of the Eurobond market? Last week's issue volume in the Euro-Australian sector amounted to A$462.5m – well above the A$361m issued in the whole of 1984. By Friday afternoon Eurobond dealers had had enough of Australian dollar deals. Six issues were launched on that day alone.

More issues are certainly on the way, though. Australian Telecom will be asking banks for bids early this week and many European banks are also eyeing the market.

It is easy to see why. Nearly all the deals done have come at yields below those on Australian government bonds in the domestic market. For Australian borrowers that is cheap money. *For non-Australian* borrowers the arbitrage that that difference creates makes swaps very attractive.

Dealers believed that the three issues from German banks were all swapped into floating rate U.S. dollars at rates 25 basis points or more under London interbank offered rate. Despite the volume of issues there seems to be no shortage of counter-parties to the swaps, so the issue flood could continue.

The question is whether the pool of demand for these issues has dried up yet. "You cannot sell these bonds to your friendly fund manager in big chunks. It is strictly a retail market," said one syndicate manager.

Retail demand is notoriously patchy and with around A$2.5bn worth issued this year already it is hard to see how the famous Belgian dentists can keep on soaking up paper. Many are by now soaking up the sun on Mediterranean beaches as the holiday season is underway. These retail investors are also much more concerned than institutional buyers with the name of the borrower, preferring well-known issuers. "It has developed into a two-tier market," said a syndicate manager on Friday, "and if a borrower tries to get into the wrong tier it ends in tears," he added.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	2,023.0	184.0	3,267.1	311.2
Prev	4,950.1	160.5	2,495.0	74.4
Other	531.2	149.8	77.4	9.4
Prev	646.2	0.1	590.9	11.9
Secondary Market				
U.S.$	16,972.9	1,085.0	10,211.8	2,617.7
Prev	20,634.6	1,149.4	11,409.5	1,498.1
Other	3,652.0	61.0	602.4	1,572.1
Prev	4,514.7	78.0	962.6	1,592.7

	Cedel	Euroclear	Total
U.S.$	10,536.4	26,136.3	36,672.7
Prev	12,809.6	29,561.9	42,371.5
Other	3,687.1	2,968.2	6,655.3
Prev	4,252.4	4,144.7	8,397.1

Week to July 25 1985 Source: AIBD

The continental banks are key to the distribution of this paper because they can reach the retail buyers. The three West German banks, Westdeutsche Landesbank, Deutsche Bank and Dresdner Bank, which launched deals last week, could hardly be blamed if they preferred to sell their own deals before others. To the investors, the names are more familiar than borrowers such as MEPC. As a result there is a marked divergence in the trading levels of the various bonds.

It is certain, though, that no one is buying straight U.S. dollar bonds and last week no such deals were launched. No floaters appeared either. Only convertible issues succeeded as U.S. retail group The Limited demonstrated. Even Pirelli's issue went well despite the uncertainty created by the lira devaluation.

The World Bank showed that, even if the Eurodollar bond market is closed, it can still find buyers for *a dollar bond issue in the Far East* when it launched a $300m issue on the Tokyo market. More issues are expected from U.S. government agencies such as Sallie Mae, and corporates.

Mr Eugene Rotberg, World Bank treasurer believes the Tokyo market may prove more accurate in pricing issues than the Eurodollar market often is. The lead managers there are securities houses, not commercial banks, so they cannot carry large positions on their books if an issue does not sell quickly. Also the practice of lead managers allotting underwriters fewer bonds than they are committed to buy, which in the Euromarket allows book runners to influence price levels, is unknown in Tokyo.

Significantly, three U.S. houses – Merrill Lynch, Morgan Stanley and Salomon Brothers – were co-managers in the issue, taking an equal share with Japanese securities houses Nikko and Yamaichi, and were placing their bonds domestically too. Lead manager is Nomura.

The European currency unit market has recovered well from the adjustments to the basket, with last week's three issues all reasonably well-received.

The interest in high coupon, non-U.S. dollar Eurobonds has attracted some borrowers to the sterling market. Apart from IBJ's issue, largely pre-placed in Japan, the deals for Credit Lyonnais and Royal Insurance were the choices for European investors last week.

Eurobonds from South African borrowers suffered badly last week following the declaration of a state of emergency. Over the week the D-Mark issue for Escom 8 per cent 1992 dropped 3⅛ points, while the new South Africa Transport Services 8 per cent issue started official trading on Thursday at 93 compared to its par issue price. By Friday, though, South African D-Mark issues with yields above 9 per cent were being bought once more.

Trading has remained quiet in the Swiss foreign bond market, with prices drifting slightly last week. Kinder-Care's SwFr 130m 5¾ per cent issue, launched at 99¼, fell a point last week to 96. D-Mark bonds gained around ½ point over the week.

Carnation deal lifts Nestlé sales sharply

BY JOHN WICKS IN ZURICH

NESTLÉ, the Swiss-based foods group, pushed its sales ahead to SwFr 22.4bn ($9.57bn) in the first half of 1985, some 52 per cent above the figure for the corresponding period of last year.

Two-thirds of this marked rise in consolidated turnover result from the acquisition of Carnation, the U.S. dairy products group. At the same time, Nestlé says sales also benefited from the strengthening of a number of national currencies against the Swiss franc.

The parent company forecasts continued growth in the second half but does not expect turnover to continue to be boosted by the development of exchange rates.

For 1985 as a whole, Nestlé reckons with a further increase in consolidated net profit. This had risen by 17.9 per cent last year to a record SwFr 1.49bn prompting an increase in parent-company dividend from SwFr 109 to SwFr 115 per share.

Nestlé says it has now virtually completed the integration of Carnation. The takeover marked the biggest acquisition ever made in the U.S. by a foreign company outside the oil industry.

Carnation continues to operate as an independent company in the U.S., reporting directly to group headquarters in Vevey, while in most other countries where Carnation ran local operations these have been merged with Nestlé companies.

Texas hit by chip recession

By Paul Taylor in New York

TEXAS Instruments, the world's biggest semiconductor maker, plunged into loss in the second quarter, blaming the downturn in the industry which it described as the "deepest recession since 1974 and possibly the most severe in the history of the industry."

Texas said it could not forecast the timing of any recovery, warned that a further deterioration is likely in the third quarter and said it had cut its capital spending plans and would lay off an additional 1,800 employees.

The group's second-quarter loss of $3.9m or 16 cents a share com*pares with net earnings of $85.9m* or $3.57 in the 1984 period. Sales fell by 16 per cent to $1.24bn from $1.46bn a year earlier.

Mr Mark Shepherd, chairman, and Mr Jerry Junkins, recently-appointed president and chief executive, said the effect of the semiconductor downturn had been exacerbated by turbulence in the computer market, which had affected Texas' data systems business, and by the prolonged decline in world oil *prices, which hit the group's geo*physical business.

"Good financial performance in materials and controls and government electronics has not been enough to offset the combined impact of weak markets in other business areas and the cost of the investments we are making for the future," they said.

For the first half, net income plunged to $5.2m or 21 cents a share from $165.7m or $6.89 a share. Sales *fell by 10 per cent to $2.5bn from* $2.8bn.

Texas Instruments' semiconductor business operated at a loss in the second quarter reflecting low demand, industry overcapacity and intensified competition for orders which resulted in further price erosion, coupled with the costs of bringing two new six-inch wafer fabrication facilities on stream. The company said it expected the declining shipment trend to continue.

U.S. MONEY AND CREDIT

Sour mood continues to depress bond prices

U.S. BOND prices took another tumble last week—for the third week in a row. The price decline, in the face of normally bullish signals, highlighted the underlying pessimism that has gripped the market.

The gloom, reinforced by the dollar decline, was more than sufficient to swamp an unexpectedly large $4.8bn decline in M1, the basic money supply measure, and a softer Fed Funds rate. For the moment investors and bond traders have other things on their minds.

Currently top of bad news list is the upcoming flood of new government paper to be auctioned in the latest quarterly re-funding. Details of the re-funding will be announced on Wednesday and the markets are braced for the worst, a record breaking $21.5bn package which is expected to comprise three-, 10- and 30-year paper and raise almost $10bn in new cash to help fund the budget deficit.

The budget deficit, or rather the lack of progress towards reducing it in the future, is another negative factor, prompting an attack from Mr David Jones of Aubrey Lanston, who describes it as "Washington's inexcusable failure."

Among the market's other bogey-men are the slide in the dollar, which has sparked fears of a foreign dollar-denominated securities sell-off, or at least renewed purchasing caution, together with the current con-[illegible] state of the economy.

With the second quarter corporate results season coming to an end, Wall Street is looking towards the second half, but the crystal ball is cloudy. While some economists predict continuing weakness others are talking about a Fed-inspired rebound.

This week's economic numbers include June's leading economic indicators on Wednesday and July's unemployment data due out on Friday.

In the meantime, there is a growing consensus that interest rates are probably not going to go anywhere fast. As Dr Henry Kaufman of Salomon Brothers suggests, "Monetary policy is again in a holding pattern."

Dr Kaufman adds: "The Federal Reserve is in a reasonable position to wait for further evidence of the impact of its easing policies on the economy . . . with the Fed hoping for some rebound in economic activity against a backdrop of modest inflation, current (substantially accommodative) monetary policy is likely to remain in force for a while."

Against this backdrop the bond market's sullen mood was clearly in evidence last week. Treasury bond prices fell by between ¾ and 3½ points.

But the decline in the Funds rate held the otherwise upward pressure on short-term money market rates in check. Treasury Bill rates ended the week modestly firmer while certificate of deposit and commercial paper rates were basically unchanged.

The bond market's recent retreat has however taken its toll in the corporate sector. Corporate bond prices fell a further 1½ to 2½ points on medium- and long-term bonds respectively while new issue yields were higher by between 15 and 20 basis points.

Because of the market's retreat—and upcoming flood of new government paper—corporate treasurers have become increasingly uncertain about issue timing. With $89bn in corporate bonds still sitting on the Rule 415 shelf the pressure is on.

Last week saw a relatively modest $1.12bn in new corporate paper brought to market, bringing the total so far this year to $46.32bn compared to $36.6bn in the same 1984 period, according to First Boston.

Among the new corporate issues Chesapeake Corporation sold $25m in seven-year 11.5 per cent notes at par and a further $50m of 10-year 11¾ per cent notes also priced at par.

R. J. Reynolds brought $250m of eight-year 10¾ per cent notes to market priced to yield 10.78 per cent, together with $250m of 30-year 11.75 per cent debentures priced at par. Citicorp sold $150m of 10-year 11 per cent paper priced to yield 11.07 per cent.

Paul Taylor

U.S. MONEY MARKET RATES (%)

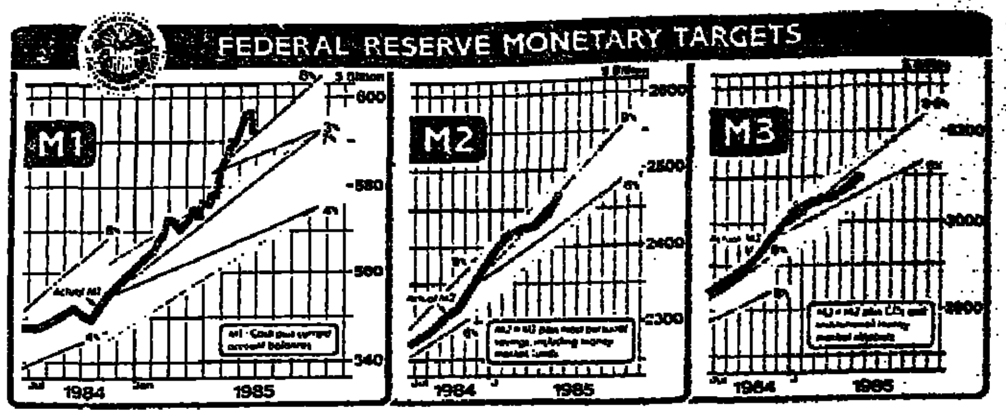
	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.88	7.89	7.67	11.77	7.10
Three-month Treasury bills	7.19	7.16	6.83	10.77	6.67
Six-month Treasury bills	7.34	7.27	6.98	10.83	6.81
Three-month prime CDs	7.75	7.75	7.50	11.68	7.33
30-day Commercial Paper	7.63	7.63	7.50	11.38	6.95
90-day Commercial Paper	7.63	7.63	7.50	11.25	7.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	97½	−3½	10.47	10.16	10.15
20-year Treasury	98	−2½	10.99	10.71	10.61
30-year Treasury	104½	−2¼	10.74	10.50	10.44
New 10-year "A" Financial	N/A	−1	11.30	11.13	10.75
New "AA" Long utility	N/A	−1½	11.80	11.63	11.35
New "AA" Long industrial	N/A	−1¼	11.65	11.50	11.25

Source: Salomon Bros (estimates).

Money Supply: In the week ended July 15 M1 fell by $4.8bn to $591.6bn.



UK GILTS

Chancellor's rate cut lifts the market

MR NIGEL LAWSON, the Chancellor, must have enjoyed a chuckle on Friday when he sprang his end of term surprise, just as desks were being cleared for the holidays and binoculars polished for Ascot.

His orders for a ½ point cut in the Bank of England's dealing rates sent brokers scurrying back to their screens and quickly lifted the gilts market out of the gloomier mood which seemed to be settling in at mid-week.

The surprise, of course, was only relative. The strength of sterling throughout the Organisation of Petroleum Exporting Countries talks and the recurring agues afflicting the dollar had built up a strong consensus in the City that another half-point cut in interest rates would be agreed before long.

However, Mr Lawson's recent sermons against industry's recidivist faith in depreciation and his renewed emphasis on the doctrine of salvation through the sterling index, and wage restraint led to the view that he wanted a period of quiet meditation in the markets.

After all, the Treasury has suffered repeated rebuffs from the foreign exchange markets in the last few years, when it has tried to edge domestic interest rates downwards a bit too fast.

So left to themselves, the Treasury, and the Bank, might have hung on a little longer, if only for the theatrical effect of the stiffness of their upper lips. But MPs needed to be sent off for the summer with a little something more cherful in their knapsacks.

The bank's move on Friday no doubt had a more substantial underpinning: the need to quicken the pace of funding and a tacit admission that a rate of over DM 4 to the pound is too high, especially with sterling's trade-weighted index comfortably back to its 1983 level of around 83.

The strategy now seems to be to keep the index to windward of 80. If the dollar continues to decline, this will allow the authorities to ease rates enough to direct more of the emigrant dollar capital into West Germany.

But there is clearly a risk that the £2½bn or so of foreign capital which has flooded into British gilts this year could ebb just as rapidly if investors decide to take their capital gain.

That doubly underlines the need for caution, and suggests that the Treasury will keep UK short-term interest rates significantly higher than those elsewhere, even when the inflation rate is brought back to the 4 to 5 per cent range.

But there is still considerable room for manoeuvre. According to brokers W. Greenwell average UK short-term interest rates in July were 11.7 per cent, more than twice the average in West Germany and still 1½ percentage points above French rates.

Moreover, the authorities would clearly like to revive the domestic appetite for gilts in another attempt to reform the flagrantly dissolute behaviour of sterling M3. On the other hand, there seems no indication that the authorities want to revert to the policy of substantial overfunding, partly because of the embarrassment of the Bill mountain but mainly because of the explicit switch of focus on to the exchange rate.

This policy has suffered from the problem that attracting foreign capital has pushed up the exchange rate and allowed a build-up of liquidity, both of which carry some uneasy implications for future inflation.

City opinion seems divided about the extent of this danger. Brokers de Zoete and Bevan, for example, highlight the coincidence of rapid growth of broad money, with the 14 per cent annualised rise in house prices in the three months to May and the greater than expected surge in inflation. They believe that inflation will accelerate again in 1986 after easing to an annual rate of 6 per cent by December. In consequence they expect that short-term interest rates will remain around 11½ per cent to 12 per cent and may start rising again this year.

Others, like Capel-Cure Myers, expect the inflation rate to drop, at least temporarily to around 4 per cent next year, which would clearly allow room for a significant cut in nominal interest rates.

At the same time, the City has become increasingly worried about the effect of the current high interest rate, strong pound strategy on the real economy and on company profits, a worry which was strongly emphasised by ICI's second quarter result last week.

Max Wilkinson

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	103¼	−1¼	11.13
AIDC 11 89	75	102¼	−0¼	10.76
AIDC 11⅞ 90	100	101¼	+0¼	11.46
Amer Savings 12 89	125	102⅞	0	10.96
Amer Savings 12¼ 89	100	103½	+1	11.04
Asian Dev Bk 11¼ 93	100	105	−0¾	10.78
Australia 11¼ 90	100	104⅜	−0⅛	10.11
Australia 11½ 95	300	104½	−0¾	10.78
Australia 11⅝ 93	100	105⅝	−1⅜	10.79
Austria 15½ 88	75	112¼	−0¼	9.97
Avco Fin 13¾ 91	100	107⅜	−0⅝	11.51
Bk Nova Scotia 13¼ 87	100	105¼	−0⅜	10.24
Bank of Tokyo 12¾ 92	100	106⅝	+0⅛	10.97
Bank of Tokyo 13¾ 91	100	111½	−0⅜	10.88
Bank of Tokyo 13⅞ 89	100	110½	−0⅛	10.59
Bergen Bank 11¼ 90	75	101	0	11.18
BP Capital 11¼ 92	150	101½	−0⅜	10.76
Br Col Hydro 11¾ 93	200	104¼	−1⅜	10.83
Br Col Hydro 12½ 14	200	109¼	−1⅝	11.74
Br Col Hydro 12½ 13	250	108¾	−1¼	11.78
Britoil Fin 11⅞ 90	125	102¾	−0⅜	11.12
Caisse Nat En 11¾ 95	125	104⅛	−0⅜	10.90
Canada 10⅞ 88	500	102⅞	−0⅜	9.76
Casio Computer 5⅞ 89	80	115½	−6½	1.46
CBS Inc 11¾ 92	100	101⅜	−0⅛	11.01
Centrust S & L 0 10	1bn	6¼	−0¼	12.05
Chesebrough 12 93	100	102¼	0	11.50
Chrysler Fin 13¼ 89	150	107⅛	+0⅛	11.89
Citicorp O/S 10¾ 90	100	99¾	−1	10.56
Citicorp O/S 11¾ 90	100	102⅞	−0½	10.97
Citicorp 11¼ 92	100	103	−0½	11.05
Citicorp 11⅝ 97	200	100⅞	−0⅛	11.58
Citicorp O/S 14 94	100	103¼	0	13.38
CNCA 11⅞ 92	125	102¼	−0⅞	10.95
CNCA 13⅝ 91	100	109⅝	−1⅜	10.91
Coastfed Inc 12¼ 88	125	103½	−0⅜	10.70
Coca-Cola 11⅞ 88	100	104⅛	−0⅜	9.73
Comp Bancaire 13⅝ 90	75	109¼	−0⅜	11.27
Comsat 12¼ 91	100	103⅜	0	11.30
Creditanstalt 13¼ 91	100	107¼	−0⅜	11.33
Daiichi Kangyo 12¼ 90	100	105⅜	−1	10.85
Denmark 10⅞ 90	100	99¼	−0⅝	11.05
Denmark 11½ 92	100	101⅞	−1	11.06
Denmark 12¾ 92	250	101¼	−0⅛	12.42
Denmark 13 92	100	101¼	−0½	12.66
Denmark 13¾ 91	100	109¾	−1¼	11.11
Denmark 13⅞ 89	100	108⅜	−1	10.37
Denmark 14 91	100	109	−1	11.81
Digital Equip 11⅜ 89	150	103⅞	−0⅞	10.37
Dutch St Mines 11⅜ 91	150	101½	−1	10.97
Eksportfinans 11¼ 92	100	101¼	−1	10.95
Eksportfinans 11½ 90	100	103⅜	0	10.54
Elec de France 11¼ 93	100	101⅞	−0⅜	10.74
Elec de France 12¾ 87	150	105⅞	−0⅛	9.66
EEC 11 87	350	102⅜	−0⅛	9.61
EEC 11¼ 90	100	102⅜	−0⅜	10.40
EEC 12 93	100	106¼	−1¼	10.79
Elf-Aquitaine 10¾ 89	100	100½	+0¼	10.53
Ericsson L M 10¼ 88	400	101¼	−0⅛	9.74
Euro Inv Bk 11½ 90	200	103⅞	−1	10.49
Euro Inv Bk 11¾ 91	73	100½	−0¼	11.49
Euro Inv Bk 12½ 90	100	107⅝	−1	10.35
EDC 9⅝ 88	200	100½	−0⅛	9.89
EDC 10 88	125	100¼	−1	9.89
EDC 10¾ 88	100	101½	−0⅛	9.87
EDC 11⅛ 89	150	102¼	−0⅜	10.25
EDC 12 89	100	105	−1	10.45
EDC 13¼ 87	100	106¼	−0⅞	9.87
Fed Dept Stores 11 90	100	101¼	−0⅜	10.63
Finland 11½ 88	100	103½	−0⅜	9.78
Finland 12¾ 94	75	107	−1¼	10.99
Finnish Export 12¾ 87	75	105⅛	−0⅜	10.04
Firstfed Mich 1 13¼ 89	125	105¾	−0⅜	11.35
Florida Fed 12¾ 89	100	103⅛	−0⅜	11.28
FNMA 11½ 91	300	102⅞	−1	10.93
Gen Elec Cred 0 96	800	31¼	−0⅜	11.20
Gen Elec Cred 9¾ 91	100	98½	−0½	10.09
Gen Elec Cred 10¾ 00	200	100¼	−0⅜	10.34
Gen Elec Cred 11 91	200	102¼	−0½	10.32
Gen Elec Cred 11½ 87	200	103⅛	−0⅜	11.04
Gen Elec Cred 12 94	200	104¼	−0⅜	11.13
Gen Foods Cap 11½ 90	75	102⅜	−0⅜	10.74
General Mills 12 91	100	104	−0⅜	11.06
GMCA 10 8	200	100¼	−0⅜	9.83
Gen Motors Acc 10½ 90	200	100¼	−1⅜	10.39
Gen Motors Acc 11¼ 90	100	102⅞	−1⅜	10.60
Gen Motors Acc 13 86	200	103½	−0⅜	8.86
GTE Finance 12 96	75	101⅜	+0⅜	11.71
Gulf Oil 10¼ 84	100	99½	+0¼	10.32
Gulf Oil 12¼ 87	100	102⅝	+1¼	10.78
GZB 14 91	100	110¼	−0⅞	11.51
Hall Air Fin 12¾ 91	100	102⅝	−0¼	11.58
Household Fin 11⅝ 92	100	102	−0⅜	11.14
IBM 9⅝ 88	200	99½	−0⅜	9.80
IBM (WTC) 10¾ 89	300	100⅜	−0½	10.11
IBM Credit 11 89	100	103¼	−0⅜	10.04
IBM Credit 13⅞ 87	100	102¼	−0⅛	13.32
IBM 12¼ 92	200	107⅛	−0⅞	10.76
Ind Bk Japan 10¾ 92	100	103	−0⅞	10.07
Ind Bk Japan 10⅞ 95	100	103¾	−0⅜	10.22
Ind Bk Japan 11½ 89	125	103⅜	−0⅜	10.20
Ind Bk Japan 11⅞ 91	100	106⅝	−0⅜	10.36
Ind Bk Japan 13⅞ 91	125	113¾	+0⅜	10.62
Int-Amer Dev 12⅞ 91	150	108½	−0⅜	10.87
Int-Amer Dev 11⅝ 94	200	104¼	−0⅞	11.09
Int Paper 12 91	75	104⅞	−0⅜	10.89
Int Stand Elec 0 97	112	26⅛	−0⅜	12.14
Int Stand Elec 12 96	75	101⅜	−0⅜	11.67
ITT 11½ 89	125	102⅜	−0⅛	10.64
ITT 12⅜ 94	100	105¼	−0⅛	11.32
Japan Airlines 12½ 94	70	110⅜	−1⅜	10.62
Japan Dev Bk 11⅞ 91	100	106⅛	−0⅜	10.87
Kellog Co 10⅞ 90	100	101¼	−0⅝	10.51
Kellog Co 11¼ 92	100	102½	−0⅜	10.66
Kimberly-Clark 12 94	100	106¼	−0½	10.88
Kyowa Fin HK 12⅞ 90	100	106⅜	−0⅞	10.96
Long Term Cred 10¾ 90	100	100⅜	−0⅛	10.63
Long Term Cred 11 90	100	101⅜	−0⅜	10.47
Long Term Cred 11⅞ 89	100	104⅜	−0⅜	10.34
Long Term Cred 12 90	75	104¼	−0½	10.77
Long Term Cred 12 93	100	106¼	−1⅛	10.82
Macy R H 11¾ 91	100	103⅜	−1	10.86
Macy R H 11¾ 95	100	103⅛	−0½	11.17
Marubeni 11¾ 91	100	101	+1	11.12
McDonalds Fin 11⅝ 94	75	103⅛	−0¼	11.01
Merrill Lynch 12⅜ 94	100	103¼	−0⅜	11.88
Minebea 6¼ 89	100	118¾	−1¼	0.97
Mitsubishi 5⅜ 88	100	120	−3	−0.25
Mitsubishi Cp 10½ 92	100	95¼	−2⅜	11.54
Mitsubishi Cp 10⅝ 95	200	99⅜	−0⅜	10.71
Mitsubish Cp 12½ 91	100	108⅜	−1	10.42
Mitsui Eng 7¾ 88	60	101⅛	−1⅞	6.84
Mitsui Fin 12⅜ 92	100	101	+0⅜	11.98
Mitsui Tst Fin 12 91	100	104½	−0¼	10.84
Mobil Corp 10¼ 90	200	99⅜	−0½	10.30
Montreal City 12¼ 91	70	105⅜	−1	11.07
Mgn Guaranty 12¼ 89	150	105¼	−0⅞	10.49
Morgan J P 11¼ 92	100	101½	−0⅜	10.88
Mount Isa Fin 13¾ 87	100	105⅞	−0⅛	10.30
Ned Gasunie 11¼ 90	75	104	−0⅜	10.20
Ned Gasunie 11¼ 91	75	102½	−0⅜	10.61
N Engl Lf Mfg 11¼ 95	149	103¼	−0⅞	11.07
Newfoundland 13 91	75	108⅝	−1	10.87
Nippon Crd Bk 13⅞ 89	100	108¾	−1½	11.02
Nippon Tel Tel 11⅛ 90	100	104⅞	−0⅜	9.95
Nippon Tel Tel 13⅝ 94	150	112¼	0	10.87
Nissho-Iwai 6½ 89	70	102¼	−0¼	5.76
Nomura 6¼ 88	100	172½	−0½	−10.91
Nova Scotia 11¾ 91	100	102½	−0⅜	11.08
Nova Scotia 11¾ 98	100	104½	−1½	11.00
Oester Post 12⅞ 89	75	105¼	+0⅜	10.27
Ohbayashi-Gumi 7¾ 88	60	145	+3	−3.42
Ontario Hydro 11⅝ 94	200	104¼	−1⅞	10.72
Ontario Hydro 11⅝ 90	200	104⅜	−1¼	10.52
Ontario 12½ 94	250	109⅝	−1⅞	11.05
Pacific Gas & El 12 00	75	103⅜	−0¼	11.45
Penney J C 11⅞ 90	100	103⅞	−0¼	10.84
Penney J C 12⅜ 91	100	105⅜	−1	11.19
Philips Petrol 14 89	200	103	−0⅝	12.89
Postipankki 11⅞ 90	75	101¼	−0⅜	10.73
Post-Och Kred 13¼ 87	60	106¼	−0⅜	9.92
Privatbanken 12⅜ 95	100	99	0	12.90
Prudential Ins 12¾ 87	150	106	−0½	9.57
Pru Rlty Secs 0 93	365	23	−0⅜	11.53
Pru Rlty Secs 11⅞ 92	386	103⅛	−1⅜	11.14
Pru Rlty Secs 12⅞ 95	546	105⅜	−1⅛	11.12
Quebec Prov 12¼ 94	150	106¼	−0½	11.00
Queensland Gvt 11¾ 89	100	103	−1½	10.45
RBC 12¾ 90	100	102¼	+0⅛	12.05
Rural Bk Aust 12 91	50	102⅜	+0⅜	11.27
Sanwa Bk 11⅞ 92	150	103¾	−0⅞	11.01
Saskatchewan 10¾ 92	100	100	−1⅛	10.72
Saskatchewan 10⅝ 90	125	101⅝	−0⅜	10.28
Saskatchewan 11⅞ 89	100	104⅜	−1⅛	10.52
Saskatchewan 15 92	150	118⅛	−1⅛	11.13
Saskatchewan 16 89	125	115½	−0⅞	10.58
Scot Int Fin 14½ 96	50	115¼	+4⅛	11.71
Sears O/S Fin 0 98	500	24⅜	−0⅛	11.42
Sears Roebuck 10½ 91	150	99⅞	−0⅜	10.53
Sears Roebuck 11⅝ 91	150	104⅛	−0⅛	10.63
Sec Pacific 12 92	100	104⅛	−0⅞	11.03
Shearson/Amex 12¼ 94	100	104½	−1⅜	11.30
Shell (Canada) 14⅜ 92	125	111¼	−0⅞	11.85
Signal Comps 11⅜ 92	125	103¼	−0⅜	11.00
Standard Oil 10½ 89	150	100⅜	−0⅜	10.23
Statoil 12 88	100	104⅜	−0½	9.87
Sumitomo Corp 10⅝ 92	100	100	−0⅛	10.60
Sumitomo Fin 11½ 92	150	103⅜	−0⅜	10.98
Sumitomo Fin 12¾ 91	150	107⅝	−1⅛	10.99
Sumitomo Trust 12½ 92	100	106¼	−0⅛	11.07
Sweden 11½ 89	200	103⅛	−0⅜	10.46
Sweden 12¼ 89	200	105⅛	−0⅜	10.41
Swedish Export 10⅝ 94	100	101½	−0⅜	10.45
Swedish Export 11½ 89	100	102⅞	−0⅜	10.52
Swedish Export 12¾ 89	100	104⅞	0	11.20
Taiyo Kobe 11⅞ 90	100	103½	−0⅜	10.86
Taiyo Kobe 12 90	100	104⅜	−0⅜	10.85
Tenneco Intl 11½ 89	150	102⅜	−0⅜	10.68
Texaco Capital 10½ 90	200	99½	−0⅛	10.60
Texaco Capital 10½ 93	200	100½	−0¼	10.39
Texaco Capital 13½ 89	200	109⅜	−0⅜	10.59
Texas Instru 11⅞ 91	150	103¼	−0⅜	11.08
Tokai Asia 12¾ 91	100	105¼	−0⅜	10.89
Tokyo Electric 6½ 89	70	92½	−1½	8.98
Tokyo Electric 13⅜ 89	100	108½	−0⅞	10.77
Toray Inds 11¾ 92	60	99⅜	+1⅛	11.15
Toronto-Dom 12⅞ 89	50	105½	−1	10.73
UBS 12¼ 91	100	105	−0¼	11.02
Utd Tech 11¾ 92	150	101	−1⅛	10.99
Veba 8 93	70	138	+3	3.06
West LB 11⅞ 90	100	103¼	−0½	10.88
Westpac 12⅝ 92	100	106¼	−0⅛	11.21
Weyerhaeuser 11½ 90	80	101½	−0¼	11.08
World Bank 11 92	300	101¼	−0⅞	10.72
World Bank 11½ 90	200	102⅞	−0¼	10.48
World Bank 11⅜ 89	200	103⅜	−0½	10.14
World Bank 12 93	200	106⅛	−1½	10.82
World Bank 12¾ 94	150	107⅜	−1⅜	10.95
World Bank 12⅞ 94	200	110⅜	−1	10.86
Yasuda Trust 12⅝ 89	100	104⅜	−0⅜	10.76

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100	0	8½
Arab Bank Cpn ⅛ 96	100	100⅛	+0¼	10 5/16
Banca Lavoro ¼ 91	100	100¼	−0⅛	9⅜
Banco di Roma ⅛ 91	150	99¾	+0⅛	7 11/16
Banco di Roma 3/16 92 CU	75	99½	0	10 5/16
Bankers Tr NY ¼ 94	200	100¼	−0⅛	7⅞
Bank of Greece ¼ 94	150	98¾	0	8⅝
Bank Montreal ¼ 94 £	100	100⅜	+0⅛	12 11/16
Bqe Nat Paris ¼ 88	400	101		10 7/16
Bqe Nat Paris ⅛ 89	250	100⅛	−0⅛	8 13/16
Bqe Nat Paris ⅛ 90	250	100	−0⅛	8⅜
Barclays O/S ⅛†	600	100⅛	0	9⅛
BBL ⅛ 95	100	100⅛	−0⅛	8⅝
BBL ⅛ 99	100	100⅛	0	9⅞
BCI ⅛ 96	300	99⅞	−0⅛	9⅞
BFCE ⅛ 85	400	100⅛	0	9 13/16
BFCE ⅛ 88	500	100⅛	0	8¼
BFCE ⅛ 99	800	100⅜	0	10 5/16
Belgium 1/16 04	400	100⅛	+0⅛	9⅛
CCCE ⅛ 05	200	100	0	8⅛
CEPME ⅛ 96 £	100	100⅛	+0⅛	12 11/16
Chase Manhattan ⅛ 09	400	99⅞	0	7 13/16
Chemical NY 1/16 99	300	102⅛	0	7⅞
Citicorp O/S ⅛ 91 £	100	99½	0	12⅝
Citicorp Psn Psn ⅛ 97	250	100	+0⅛	8 13/16
Commerzbank ⅛ 89	150	100¼	0	8⅜
Credit Comm ¼ 96	250	100¼	+0⅛	9 13/16
Creditanstalt 1/16 96	150	100¼	0	9 11/16
Credit Foncier ⅛ 00 £	100	100⅛	−0⅛	12⅝
Cred Lyonnais ⅛ 96	300	100⅜	+0⅛	8 1/16
Cred Lyonnais ⅛ 99	250	100¼	0	8⅜
Credit National ⅛ 95 £	100	100½	+0⅛	12 7/16
Dai-Ichi Kangyo ⅛ 96	150	100⅛	+0⅛	8 13/16
Denmark ⅛ 90	250	100⅛	−0⅛	8 5/16
Denmark 0 99	200	99¼	−0½	9 5/16
Denmark 3/16 90	500	100⅛	0	9⅛
Eldorado Nuke 0 89	100	99⅞	−0⅛	9 15/16
Elec de France ⅛ 85	300	99⅞	−0⅛	9½
Elec de France ⅛ 99	400	100⅞	0	10
ENEL ¼ 93 £	100	100¼	+0⅛	12¾
Exterior Intl ⅛ 96	125	99½	0	7⅞
Ferro del Stat ⅛ 99	250	100⅛	0	10 5/16
Fiat Finance ⅛ 94	100	99⅜	0	9⅞
First Chicago ⅛ 94	100	99⅜	−1⅛	9⅜
First Chicago 3/16 97	150	99¼	−0⅛	8 13/16
Ford Motor Cr ⅛ 91	200	100⅛	0	9 13/16
GW O/S Fin ⅛ 94	100	99½	−0⅛	10⅛
Grindlays ⅛ 94	100	100⅛	0	8⅞
INI 3/16 00	150	100⅛	0	9 13/16
Interfirst Tex ⅛ 89	100	97⅞	0	8 5/16
Ireland ⅛ 93 £	50	100⅜	0	12 15/16
Ireland 1/16 94	300	100⅛	0	8 1/16
Ireland ⅛ 96 £	100	100	0	12⅝
Ireland ⅛ 97	300	100¼	0	10 5/16
Ireland 3/16 99	300	100⅛	0	10
Italy ⅛ 94	1bn	100⅛	+0⅛	8⅞
Italy ⅛ 99	500	100⅛	0	10 9/16
Kleinwort Benson ⅛ 96	100	100⅛	−0⅛	10⅛
Korea Exch Bk ⅛ 94 £	100	99¼	0	12 15/16
Lincoln S & L ⅛ 99	100	99⅜	−0⅛	8⅛
Malaysia ⅛ 93	850	100⅛	0	9 5/16
Malaysia ⅛ 94	600	99⅛	0	7 15/16
Man Hanover ⅛ 94 £	75	98¼	−0⅛	12⅛
Marine Midland ⅛ 94	125	100	0	8⅛
Marine Midland ⅛ 96	125	99⅞	0	7⅜
Marine Midland 3/16 09	150	100	0	8
Mellon Bank ⅛ 96	250	100	−0⅛	8
Midland Intl ⅛ 99	200	100¼	−0⅛	10 7/16
Mitsui Fin ⅛ 96	100	100⅛	0	10⅛
Morgan Grenfell ⅛ 94	50	99⅜	−0½	8 1/16
Mtg Intermed ⅛ 10 £	50	100	0	13 7/16
Nat Bk Canada ⅛ 91	50	100	+0⅛	8½
Nat Bk Detr ⅛ 96	100	99⅞	+0½	8⅛
Nat West Fin ⅛†	600	100⅞	+0⅛	9⅜
NesteOy ⅛ 94	100	100¼	−0⅛	10
New Zealand ⅛ 87	350	100¼	−0⅛	9⅜
NZ Steel Corp ¼ 92	300	100⅛	−0⅛	9½
Oster Ln Bk ⅛ 99	100	100⅛	+0⅛	9⅜
Oko Bank ⅛ 92	50	99⅛	0	7 15/16
Portugal ¼ 92	100	100	+0⅛	9⅞
Queensland Coal ¼ 96	355	100⅛	0	9
Renfe ¼ 91	100	100½	0	10 1/16
Sanwa Intl ⅛ 92	150	100	+0⅛	9 7/16
SEAT ¼ 93	100	101⅛	+1⅛	8 1/16
Security Pacif 1/16 97	250	99½	0	9 5/16
Skopbank ⅛ 94	75	99⅛	0	8⅛
SNCF ⅛ 93 £	75	100⅛	+0⅛	12⅞
Soc Generale ¼ 95	250	100⅛	−0⅛	10 7/16
Soc Generale ⅛ 84	250	100½	0	10 5/16
Spain ⅛ 93	200	100½	−0⅛	10 5/16
Spain ⅛ 97	250	100½	+0⅛	10
Standard Chart ⅛ 94	200	100¼	0	8⅛
Sumitomo Tst ⅛ 94	100	100⅛	0	9 5/16
Sweden ¼ 99	600	99⅛	−0⅛	9½
Sweden ¼ 03	1bn	100⅛	−0⅛	8⅛
Sweden ¼ 05	700	99¼	0	7 15/16
Sweden ⅛ 24	600	99⅜	−0⅛	10 1/16
Sweden 1/16†	750	100¼	0	8 5/16
Tokai Asia ⅛ 99	150	100⅛	0	8⅛
Toyo Trust Asia ⅛ 9	100	100⅛	0	8
TVO Power ⅛ 04	100	98½	0	8 5/16
Union Bank-Norw ⅛ 99	60	98¼	+0⅛	9 11/16
Wells Fargo 3/16 96	50	99⅜	−0⅛	8 5/16
World Bank 3/32 94	250	98⅜	−0⅛	7 13/16
Yorkshire Int ⅛ 94 £	75	100⅛	0	12⅝

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	107⅛	+2	
Best Denki 5⅞ 97	15	153	+9⅛	−11.75
Canon 7 97	50	154¼	−18½	−0.19
Daiwa Secs 5½ 98	60	214½	−2¼	0.82
Dev Bank Sing 5½ 98	70	70	−1	10.30
Elders 11⅞ 94	160	104⅛	+0⅛	31.91
Elektrowatt 5 98	52	101⅜	+2	−1.72
Fujitsu 3 99	180	73	−5⅛	5.24
Intec Inc 3 99	50	66	0	3.52
Kumagai Gumi 3½ 00	80	151	+2½	−0.38
LASMO 9¾ 99	45	95	+0⅛	23.70
Moet-Hennessey 7 99	[illegible]	108⅜	−0⅛	5.45
Murata Mfg 3½ 00	100	77⅛	−8⅛	10.26
Nippon Oil 3⅛ 99	80	100¼	−1⅛	16.58
Ono Pharm 3¼ 98	80	79	0	−11.74
Soc Gen Surv 4½ 94	51	120¼	+13⅞	117.84
Sumitomo Corp 2⅞ 99	70	131⅛	0	1.91
Texaco Capital 11⅞ 94	1bn	104⅜	−0⅜	40.44
Texaco Capital 11⅝ 94	500	105⅜	−0⅜	41.28
Tsugami Corp 3¼ 00	20	72½	+1½	−86.39
Yamaichi Sec 3¼ 95	20	166	−7	−5.32

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7½ 94	15	102⅜	−0⅛	6.99
Avon Products 6¾ 91	25	98⅛	−1⅜	7.12
Denmark 6¾ 92	20	98¼	−0½	7.01
Dow Chemical 7 94	50	100⅜	−0⅜	6.90
EDF 6⅞ 95	20	99	−0½	6.92
Eurofima 7⅜ 94	10	102⅝	−0⅜	6.99
Eurofima 6⅞ 92	10	99⅜	−0¼	7.01
FNMA 6⅞ 92	50	99½	−0⅜	6.96
GMAC 6½ 90	25	99½	−0½	6.82
Intnl 6⅝ 92	13	97⅛	0	7.06
IADB 7½ 94	15	103¼	−0½	7.02
IADB 7⅝ 93	15	104⅜	−0⅜	7.19
ITT 6⅝ 92	20	98	−0½	7.13
McDonald Corp 6½ 92	25	98⅜	−0½	6.73
New Zealand 7⅛ 90	15	101⅜	−0⅜	6.74
New Zealand 7⅛ 89	15	103⅛	−0⅜	6.66
Pacific Gas Elec 7 94	20	101	−0⅜	6.85
Penney J C 6¾ 92	25	98⅜	−0⅜	7.01
Proctor 6⅝ 92	25	99	−0⅞	6.81
Sallie Mae 6⅜ 92	25	98¼	−0½	6.98
TRW 7 94	15	100⅜	−0⅜	6.97
Utd Technology 6⅝ 92	25	98¼	−0⅜	6.96
World Bank 7 94	20	101⅜	−0⅜	6.82
World Bank 7⅛ 93	20	104¼	−0⅜	6.93
World Bank 8 93	20	106	−0⅜	6.95

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9¾ 89	600	102½	−0⅜	9.01
Eurofima 10 94	800	104	−0⅜	9.32
E Coal & Steel 10½ 94	1bn	103⅞	−1½	9.68
Euro Invest Bk 10½ 94	1bn	105⅜	−0⅛	9.68
World Bank 10⅛ 89	1bn	104⅞	−0⅛	8.70

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	104½	−0⅜	6.83
ABN 7⅝ 89	150	102⅜	0	6.87
Amro Bk 7⅛ 89	150	101⅜	+0⅛	6.98
Amro Bk 8 89	200	103⅞	−0⅛	6.74
Bk Mees Hope 8¼ 89	160	103⅜	−0⅜	7.06
Beatrice Foods 8⅝ 89	100	105⅜	+0½	6.96
C C Robo 8 89	160	104⅛	−0⅛	6.86
Denmark 8½ 91	100	105	+0⅛	7.40
Int Stand Elec 8½ 89	100	103⅜	−0⅛	7.28
New Zealand 8⅝ 89	100	104⅜	+0⅛	6.84

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12¾ 91	50	103½	−1	11.41
Aust Resources 11⅞ 92	60	100⅞	−0⅛	11.39
Bank of Tokyo 10⅞ 92	75	104⅛	+2⅛	9.91
Bqe l'Indosuez 14 91	75	108	−0⅛	12.05
Br Col Munic 12¾ 91	100	108⅛	−0⅞	11.24
Br Col Munic 13¾ 91	100	108⅛	−0⅛	11.53
Br Col Tele 12¾ 89	70	102⅜	−0⅜	11.83
Denmark 11⅜ 91	100	101½	−0⅜	11.21
Farm Cred Corp 12¼ 90	75	105½	−0⅜	10.78
Kredietbank 12 92	75	101⅜	−0½	11.66
Long Term Cre 11⅜ 90	75	102½	−0⅞	10.87
Montreal City 12¾ 91	50	104⅜	−0⅜	11.07
New Brunswick 12 95	75	102½	−0½	11.52
Nova Scotia 11⅝ 96	100	100⅛	−1⅛	11.57
Quebec Hydro 14 91	75	109⅜	−0⅜	11.74

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	104⅛	0	8.63
Australia NZ 10⅜ 91	50	104⅜	−0½	9.89
Austria 10⅜ 93	100	108⅞	0	8.92
BFCE 9¾ 92	75	105⅜	0	8.67
Cred National 10¾ 94	50	107⅛	−0⅛	9.17
Cred National 11¼ 91	50	111⅛	+0⅛	8.63
Denmark 10⅜ 91	75	107	+0⅛	9.07
Ebco Intnl 10⅞ 89	55	104⅜	−0⅛	9.21
EEC 10½ 91	60	105⅛	+0⅛	9.27
EEC 11 93	50	110⅛	−0⅛	8.35
EEC 11⅜ 91	50	110¼	+3⅛	8.92
EEC 11⅜ 93	70	110⅜	+0⅜	8.46
Euro Coal Steel 6 94	60	114	+0½	9.48
Euro Invest Bk 9⅜ 95	200	102⅞	+0⅜	8.78
Euro Invest Bk 10¼ 94	100	108¼	+0⅛	8.69
Euro Invest Bk 10⅝ 89	50	107⅜	0	8.06
Euro Invest Bk 10⅝ 94	100	109⅛	+0⅜	9.04
Euro Invest Bk 11⅛ 92	75	108⅞	−2⅛	9.42
Euro Invest Bk 11⅜ 93	50	110⅛	−0⅜	9.30
Euro Invest Bk 11¼ 96	50	111⅜	+0⅜	9.44
Gen Finance 11 90	70	107½	−0⅛	9.10
Giro Vienna 10½ 93	60	108⅜	−0⅛	9.05
GTE Finance 10⅞ 92	50	108⅜	+0⅛	9.13
Ireland 10¼ 95	50	104⅝	+0⅜	9.47
Italian Govt 10½ 92	800	106	0	9.31
Italian Treas 11⅛ 90	60	109⅜	+2⅛	9.08
Kredietbank L 9¾ 92	75	100⅞	+0⅛	9.17
Megal Finance 11⅛ 94	100	108⅛	+0⅜	9.81
Nippon Cred Bk 11 91	50	107⅛	+0⅛	9.05
Nordic Inv 6 94	50	112½	0	9.55
Post Och Kred 10⅞ 92	80	104⅜	−0⅛	9.96
Royal Bank Can 10½ 89	85	104⅛	−1⅛	8.89
SNCI 10⅞ 94	60	108⅜	0	9.39
Swedish Export 11 89	58	103⅛	+0⅞	9.76
West LB 10⅞ 91	50	107⅜	+0⅛	9.00
World Bank 10⅝ 88	100	107⅜	+0⅛	7.86

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	98½	−0⅜	13.02
PIBA 12⅜ 89	50	100	+0⅜	12.32
State Bk NSW 12¾ 89	40	100⅜	−0⅜	12.15
Woolworths 14⅞ 88	25	105⅞	+1⅛	11.91

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intntl 10⅜ 91	100	99⅜	−0⅛	10.69
Denmark 10⅜ 93	75	99⅛	+0⅛	10.80
EEC 11⅜ 94	50	102⅜	0	10.93
Europarat 11⅜ 92	50	102⅜	0	10.85
Euro Invest Bk 10¾ 92	75	100⅜	−0⅛	10.64
Finland 11⅞ 88	50	102½	−0⅛	10.86
Grand Met 10⅞ 90	50	98⅜	+0⅛	11.23
Int-Amer Dev 11⅞ 91	60	101⅞	+0⅛	10.88
Int Stand Elec 11⅛ 89	50	100⅞	−0⅜	10.76
Inv in Indust 11½ 91	50	103⅜	0	10.71
Ireland 11⅜ 94	50	100⅜	+0⅛	11.22
New Zealand 10⅝ 89	100	99½	0	10.76
SNCF 11⅛ 94	60	102⅞	−0⅛	10.79
World Bank 10⅝ 89	100	100	−0⅛	10.59
World Bank 10⅝ 99	50	100	−0⅞	10.59
World Bank 11 94	50	101⅛	0	10.74

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	59	0	7.33
Ciba-Geigy Int £	1/11/93	315	−1	153.61
Credit Suisse	31/5/88	38⅞	+4⅞	7.00
Deutsche Bank DM	18/8/91	121½	0	−18.19
ICI Finance	1/6/90	320	−12½	239.01
IC Industries	15/6/88	20⅜	+2⅜	−12.56
Jusco	22/12/88	75⅛	−0⅜	21.68
Minebea Co	20/2/89	35⅜	+0⅛	75.31
Mitsubishi Cp	7/11/88	35	−1	12.04
Mitsui	10/12/87	27½	−1½	3.29
Nissho Iwai	1/2/89	15½	+0⅛	20.04
Nomura Sec	31/10/88	86⅞	+0⅛	3.06
Siemens Wstrn DM	31/5/90	340	0	11.02
Swiss Bk Cpn	20/12/88	66	+6	5.00
Toray Ind	5/3/87	14⅜	+0⅛	10.40
Veba Int	15/12/93	57	0	15.32

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	14/2/88	27⅛	+2⅛	10.65
Coca-Cola 11⅞ 91	28/11/88	35⅛	−3	11.18
Commerzbk 11⅞ 89	17/7/88	97⅛	−2½	8.86
Du Pont 13⅛ 89	25/8/86	72	+1	10.95
Eksportfinas 13¼ 89	15/9/87	79⅞	−5⅛	10.73
Gen Elec 12⅜ 91	7/8/87	57⅞	−6	11.37
IBM Credit 13 87	19/8/85	55	−4⅜	9.90
Inv In Inds 10⅛ 91	1/12/89	86	0	10.88
McDnlds F 11⅛ 94	5/1/89	35⅛	+1⅛	10.44
Oester Lnbk 13⅛ 89	9/8/87	71⅜	−10⅞	11.19
Texaco Cap 12⅞ 92	1/9/87	60⅛	−4⅛	11.56
Xerox 13¼ 87	15/8/85	54⅛	−3	10.17

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

† Perpetual.

Closing prices on July 26.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. oil industry braced for more mergers

BY IAN HARGREAVES

THE U.S. oil industry merger wave is not yet over, because oil companies are still able to buy oil assets more cheaply through acquisitions on Wall Street than they can find them through exploration in the U.S.

This is the view of Mr Joe Fogg, managing director of investment services at Morgan Stanley and an important figure in a number of recent oil industry mergers.

In a paper published by Cambridge Energy Research Associates, the U.S. energy consultancy, Mr Fogg argues that most of the buyers in the merger boom acted on a straightforward "make or buy" comparison between the cost of finding oil and gas and buying it in the form of a corporate acquisition.

A Morgan Stanley study of the U.S. exploration and production operations of the 14 largest oil companies had shown that the average finding cost for each barrel of oil equivalent (oil and gas combined) in the last five years was $11.78.

Adjusted for tax allowances in a typical exploration block, this involved a net cash outlay of $7.98 — a price which, on the bank's own assumptions about oil prices, implied only a 9.5 per cent rate of internal return after tax.

This meant that if an oil company's finding costs were average "the exploration for oil and gas given current price expectations is at best a marginal activity."

By contrast, if oil reserves were bought for $7 a barrel, the post-tax internal rate of return was put at 12.4 per cent and this figure rose to 17.5 per cent at $5 a barrel and 29 per cent at $3 a barrel.

Prices in all the big deals of recent years, such as the $13.4bn Chevron-Gulf merger and the $10.1bn Texaco-Getty merger, "were less than $6 a barrel and several were in the $2 to $3 per barrel range," Mr Fogg said.

"We expect to see the current consolidation trend in the oil and gas industry continue. Companies will remain interested in buying reserves during this deflationary period of oil and gas prices, especially considering the riskiness of frontier exploration."

Mr Fogg's paper is one of a collection published by Cambridge Energy under the title "The reshaping of the oil industry."

In an introduction, Dr Daniel Yergin, Cambridge Energy president, argues that the day of the mega-merger is waning, because of the reduced number of players and a sharpening of corporate defence tactics.

He said the deal-making focus would now shift to smaller companies, which would be under pressure to sell themselves either piecemeal or as a whole. Non-U.S. companies would become increasingly active in the search for U.S. oil assets, as U.S. companies diversified their activities in the developing world.

Oil companies would also continue to de-integrate their oil production activities from their refining and marketing businesses, responding to more volatile commodity-type markets in crude oil and oil products.

This volatility had produced five key effects:

- Seasonal switches in demand will have to be accommodated by producers — essentially by Opec—since oil companies will no longer carry that burden.
- Increased separation between the different operational parts of oil companies, with reduced inter-affiliate trading.
- Oil trading itself has become an autonomous, profit centre in most oil companies. "These trading arms have taken some of the ground recently occupied by independent traders."
- Oil companies are cutting their refining and marketing activities—"retreating from the downstream." Oil producers, however, appear increasingly wary of moving into this business because it still suffers from chronic overcapacity.
- Growing use of oil futures markets, which provide some hedge against the volatility of physical spot markets, which are now the bedrock of oil trade.

The reshaping of the oil industry—just another commodity? CERA, 56 John F. Kennedy St., Suite 5, Cambridge MA 02138. $295.

Swedyard unit buys 40% of offshore yard

By Kevin Done, Nordic Correspondent, in Stockholm

JOTAVERKEN Arendal (GVA), part of the Swedyard group, the Swedish state-owned shipbuilder, has acquired a 40 per cent stake in Trosvik, the Norwegian offshore fabrication yard.

GVA said the move is part of its strategy of seeking partners in countries with their own offshore oil and gas markets. Together the two yards would be able to bid for bigger contracts than at present. GVA is understood to have paid around SKr 40m ($4.7m) for its 40 per cent shareholding.

The future of the Jötaverken Arendal yard has been placed in some doubt by the financial crisis that has hit its main customer in recent years, Consafe, the Swedish offshore services group.

GVA has built a total of eight offshore accommodation platforms and diving support platforms for Consafe. In the process it has guaranteed some 80 per cent or around SKr 2.3bn of Consafe's long-term debt.

Consafe itself which expects losses of between SKr 300m and SKr 400m this year and is negotiating with creditors because of a mounting liquidity crisis, has held talks for the first time with Mr Roine Carlsson, the Industry Minister.

Japan makes money market more accessible

BY YOKO SHIBATA IN TOKYO

THE BANK of Japan has shifted its policy towards the inter-bank money market by allowing dealings to be carried out without collateral with effect from today.

Decontrol will be limited to two types of funds—call monies with unconditional maturity to be repaid on the next day and those with fixed maturities of seven days. Nonetheless, this is expected to make it easier for foreign banks which operate in Japan to raise yen funds in the call market.

The inter-bank call market supplies funds which help banks to meet their reserve requirements, with six *Tanshi* houses (short-term money brokers) acting as middlemen. Outstanding call loans currently amount to Y4,500bn. However, banks which use the market must put down government bonds, government guaranteed bonds, corporate debenture or bank debentures as collateral for the call loans they raise under the administrative guidance first laid down by the BOJ in the wake of a financial panic in 1929.

Unlike Japanese banks, which have wide funding access to large retail deposits at low interest rate, resident foreign banks are unable to procure long-term low cost yen funds and have no choice but to rely heavily on the short-term inter-bank market, where interest rates are rigidly controlled by the BOJ.

The liberalisation of the inter-bank market, and the elimination of collateral rules in the inter-bank call and bill discount market, have become the major focus of recent bilateral financial talks with the U.S. and West Germany. At the yen-dollar follow up meeting held at the end of June, the U.S. asked Japan to create a genuine money market where interest rates would be determined by market forces, as well as to set up an inter-bank market along U.S. lines and without any collateral requirement.

At the Japan-West German financial consultation meeting in June, West German officials also requested the abolition of collateral rules, arguing that "such collateral rules exist nowhere else in the world."

Resident foreign banks have become more vociferous in their demands for freer inter-bank markets. Many foreign banks plunged into the red in the year ended March 1985. High yen funding costs in inter-bank market are a major reason of their plight.

Foreign banks have begun to change the emphasis of their money market operations. However, as a leading American bank manager said, "it is essential to have freer inter-bank market for earning interest spreads in money market."

Krugerrand marketing arm ends sales disclosure

BY JIM JONES IN JOHANNESBURG

INTERGOLD, the krugerrand marketing arm of South Africa's *Chamber of Mines, has decided* to crease publication of monthly krugerrand sales.

Mr Bruce Birrel, the manager of Intergold's coin division, says the decision has nothing to do with a possible U.S. ban on krugerrand sales or competitive pressures. He points out that other producers of competing gold coins, such as the Canadian maple leaf, do not *disclose their sales.*

Mr Birrel maintains that the disclosure of sales of new krugerrands by Intergold can be misleading since the figures do not always fully reflect activity at the retail level. In addition, he says, misleading Press reports have been published.

Irwin Jacobs partnership lines up major takeover

BY OUR NEW YORK STAFF

MR IRWIN JACOBS, the Minneapolis-based investor and *Wall Street raider, has formed* a limited partnership to raise $2.5bn and plans to acquire a major, unidentified corporation.

In recent months Mr Jacobs has accumulated, and then sold at a profit, large blocks of stock in Walt Disney Productions, the Avco Corporation and Phillips Petroleum. Last month his company, Minstar, won a $550m bid for *AMF*, the White Plains, New Jersey conglomerate.

But on Wall Street speculation has centred on Mr Jacobs's interest in ITT, the U.S. telecommunications conglomerate. Mr Jacobs has emerged as a serious critic of ITT's management.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Pirelli Fin. Services §‡	50	1995	10	7	100	CSFB	7.000
Dome Mining ¶‡	50	1998	5	7	100	Nikko Secs. (Europe)	7.000
Pegasus Gold §	25–35	1992	7	8⅛	100	Bqe Gutzwiller, K.B.	*
Pegasus Gold (a)§	18	1992	7	5	100	Bqe Gutzwiller, K.B.	*
The Limited Inc. §‡	50	2000	15	6¾	100	SBCI	6.750
World Bank ȹ‡	300	1995	10	10½	100	Nomura Secs.	10.500
EEC (c)‡	240	1988	3	9¼	99.723	Goldman Sachs	9.360
CANADIAN DOLLARS							
Bank of Tokyo ‡	75	1995	10	10⅞	101⅝	Bank of Tokyo Int.	10.604
NEW ZEALAND DOLLARS							
Mellon Bank ‡	60	1988	3	16¼	100¼	CSFB	16.138
Chrysler Fin. Corp. ‡	50	1990	5	17	100.4	Morgan Guaranty	16.876
AUSTRALIAN DOLLARS							
Australian Gas Light ‡	50	1992	7	13	100⅜	Orion Royal Bank	12.915
SBSA Fin. Corp. ‡	50	1988	3	13	100	Morgan Guaranty	13.000
H. J. Heinz Co. ‡	37.5	1990	5	12⅛	100½	Orion Royal Bank	11.986
WestLB Fin. ‡	50	1990	5	12⅝	100⅝	Orion Royal Bank	12.450
Toronto-Dominion Aus. ‡	50	1988	3	12¾	100¾	Morgan Stanley	12.435
Deutsche Bank Fin. ‡	50	1992	7	12⅜	100½	Deutsche Bank	12.265
MEPC (Australia) ‡	50	1992	7	13⅜	100	Hill Samuel	13.375
Dresdner Bank ‡	75	1990	5	12⅜	100	Dresdner Bank	12.375
NZ Forest Products ‡	50	1992	7	13¼	100⅝	Hambros Bank	13.108
D-MARKS							
Pirelli Fin. Services §‡	120	1992	7	4	100	BHF-Bank	4.000
SWISS FRANCS							
Toshiba Tungaloy **§‡	60	1990	–	1½	100	Credit Suisse	1.500
N. Nomura **§‡	25	1990	–	3	100	Bank Julius Baer	3.000
Consolidated Press	200 max	1995	–	(6¼)	*	Soditic	*
Denki Kagaku Kogyo **¶	100	1990	–	(3¼)	100	Bqe Paribas (Suisse)	*
Mitsubishi Petrochem. **¶	70	1990	–	(3¼)	100	UBS	*
Montedison Fin. **‡	100	1991	–	5½	100	SBC	5.500
Shochiku **‡	40	1990	–	5¾	100	UBS	5.750
Hokkai Can **§‡	15	1990	–	1⅝	100	UBS	1.625
Canadian Nat. Railway ‡	170	2000	–	5⅜	99¾	Credit Suisse	5.400
ECUs							
BNP ‡	75	1995	10	8⅞	100	BNP	8.875
Sanwa Int. Fin. (HK) ‡	40	1995	9	9	100	Sanwa Int.	9.000
Chrysler Fin. Corp. ‡	75	1992	7	9	(100–100¼)	Banque Paribas	*
STERLING							
Pirelli UK §‡	40	2000	15	7½	100	Baring Brothers	7.500
Ind. Bank of Japan ‡	50	1995	10	10¾	100¾	S. G. Warburg	10.625
Credit Lyonnais ‡	50	1994	8½	10¾	100¼	Goldman Sachs	10.679
Royal Insurance ‡	60	1992	7	10¾	100	Baring Brothers	10.750
FRENCH FRANCS							
Gen. d'Electricite (b)‡	500	2000	15	10⅞	100	CCF	10.875
LUXEMBOURG FRANCS							
Parbel Finance **‡	300	1990	5	9¼	100	Bqe Paribas Lux.	9.250
LIRE							
EIB ‡	100bn	1992	7	12½	93.55	Cariplo	14.004
YEN							
Ford Motor Credit ‖‡	25bn	1995	10	8	100	Daiwa Europe	8.000
Asian Dev. Bank ‡	25bn	2000	13.32	6.4	99.2	Nikko Secs.	6.485

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ‖ Dual-currency. ȹ Sold in Japanese domestic market. (a) Convertible into gold. (b) Retractable after 5 & 10 yrs. (c) Registered with U.S. S.E.C. Note: Yields are calculated on AIBD basis.

U.S. Quarterly Results

TIMES MIRROR
Newspapers, forest products

Second quarter	1985 $	1984 $
Revenue	746.5m	705.9m
Net profits	70.6m	58.9m
Net per share	0.99	0.86
Six months		
Revenue	1.44bn	1.38bn
Net profits	114.8m	102.2m
Net per share	1.63	1.49

TRANS WORLD CORP
Hotels, food service

Second quarter	1985 $	1984 $
Revenue	529.8m	504.2m
Net profits	30.8m	29.8m
Net per share	0.79	0.82
Six months		
Revenue	1.01bn	967.7m
Net profits	47m	49.2m
Net per share	1.19	1.32

WASHINGTON POST
Newspapers, magazines

Second quarter	1985 $	1984 $
Revenue	284.3m	258.1m
Net profits	34.1m	27.1m
Net per share	2.61	1.94
Six months		
Revenue	527.9m	475.6m
Net profits	59m	36.2m
Net per share	4.36	2.57

UK COMPANY NEWS

Fraser poised to secure pivotal role in Burton bid

House of Fraser, the departmental stores group, seems poised to intensify its efforts to secure the pivotal role in Burton Group's finely balanced £550m takeover bid for Debenhams whicoh reaches a climax this Friday. House of Fraser has been steadily buying shares in Debenhams, its High Street rival, ever since the Burton bid was launched and it said yesterday that further purchases on Friday had taken its total stake to 14.56 per cent. It would not comment on its future intentions but there was widespread speculation last night that it would be buying substantially again this week.

Fraser, which itself was acquired earlier this year by the Egyptian Al-Fayed family, has never spelled out its strategy clearly, but it is generally believed to want to block Burton or exert influence over the new management if the bid proves successful.

Speculation about its plan intensified yesterday when Fraser confirmed that its chairman, Professor Roland Smith, had held talks on Friday with the Office of Fair Trading.

The company would only say that there had been an "interesting exchange of views" but it was widely thought that Professor Smith had been assessing the OFT's likely attitude to him increasing Fraser's stake in *Debenhams between 15 per cent* —the level at which the OFT becomes concerned about a shareholder exerting "material influence" on management.

Despite weekend speculation that Professor Smith might have discussed with the OFT the possibility of a full Fraser bid for Debenhams, City analysts last night felt that such a move remains most unlikely.

Burton bought 1.25m Debenhams shares in the market on Friday, lifting its stake to just over 10 per cent. Complicated takeover rules mean it cannot now increase its holdings

Within the Burton camp there is increasing annoyance over Frasers' share buying and if this goes over 15 per cent, Burton financial adviser, S. G. Warburg, is likely to approach the Takeover Panel. It will argue that Fraser should clarify its intentions on the grounds that the continued uncertainty is unfair *to Debenhams' shareholders.*

Burton's share closed on Friday night at 438p, at which level its shares and cash bid values each Debenhams share at around 323p, which is below its 327p cash alternative offer. Debenhams shares closed at 308p. The gap between the Debenhams price and the Burton offer measures the degree the market suspects that the bid might not succeed.

Tonks waits on Panel decision

By Lucy Kellaway

SHARES IN R. Cartwright, the building products group, are likely to be suspended this morning while the Takeover Panel takes an unusual decision on whether the bid by Newman Tonks, which closed on Friday, was successful.

At the centre of the dispute is Save & Prosper, which unknowingly both gave acceptances for its 250,000 shares and sold 250,000 shares to Tonks broker. The effect of S & Ps dealing was to take the total number of acceptances from about 48 per cent to 52 per cent.

The panel's decision is eagerly awaited in the City, as it will have important implications for contested takeover bids in the future.

Mr David Cardale, a director of County Bank, which is defending Cartwright, said yesterday. "If the Takeover Panel lets this one go, it could be the thin end of a large wedge. I think it would be a travesty of justice to let an offer go unconditional when less than half the shareholders have agreed to it."

Meanwhile, Hill Samuel, who are acting on behalf of Newman Tonks, have taken legal advice that both the sale of shares and the acceptance given by S & P are binding.

Queen's Moat in £10.5m hotel deal

Queen's Moat Houses, the fast-growing hotels group, is buying two hotels and building a further two in deals worth nearly £10.5m. This will take the total of three and four star hotels run by the group to 64.

Queen's Moat is paying £4.65m in cash and £300,000 in shares for the freehold of the four-star Holiday Inn at Bucksburn, four miles from Aberdeen city centre, and for the share capital of South Riding Hotels, owners of the Ardsley House Hotel, Barnsley.

It has exchanged contracts to buy the freehold of Sindelesham Mill, Reading, for £1.6m and will spend a further £1.4m to create a hotel to be named the Reading Moat House.

Conditional contracts have also been exchanged to buy the freehold of Warmsworth Hall, Doncaster.

Queen's Moat has signed contracts with Turrett Property Investments to build an hotel and conference centre on the site for an overall cost, before fitting out, of £2.5m.

RTD £0.69m cash call

RTD Group, a loss-making Dublin-based engineering company, is planning to raise £690,000 in new equity to refinance its activities.

The company also plans to sell or to close down RTD Swan, its biggest lossmaker, to leave it with a portfolio of four profitable businesses.

The proposals mark the latest stage of a recovery which began 18 months ago when Mr Victor Burley and Mr Anthony Parmiter, two directors of RTD Swan, took control of the company.

The new funds are being raised with a one-for-one rights issue at 15p a share, underwritten by broker Capel-Cure Myers and a placing of 1m shares at the same price. On the stock market, RTD shares fell 3p to 15p.

In the year to February, RTD incurred a pre-tax loss of £51,000, against £117,000 the previous year, on turnover down slightly to £5.8m (£6m).

The company blames the losses primarily on BMG Engineering, its general engineering subsidiary which was sold last July, and on RTD Swan, making electric generators, which was once the group's principal business.

The company is left with three electroplating companies, and a manufacturer of hospital equipment, all based in the UK.

The rights issue is expected to leave the company with over £100,000 net cash. It plans to follow aggressively a policy of expansion by acquisition.

Pentland lifts size of share flotation

Pentland Industries, which is floating off Reebok, its successful U.S. athletics shoe subsidiary on the American over-the-counter market, has substantially increased the size of the offering, from 3.45m shares to 4m shares underwritten at a price of $17 a share.

The changes mean that Pentland is now selling 738,851 of its existing shares (as against 554,858 previously announced), which will raise approximately $12.57m in cash. Pentland's stake in Reebok will fall from 54.4 per cent to around 40.7 per cent.

At $17 a share, Reebok has a market capitalisation of approximately $271m, with Pentlnd's stake worth about $110m.

Pentland said the offer had been increased because of the heavy demand for the shares, and this had provided an opportunity to increase Reebok's capital resources.

The offering is raising about $45m for Reebok and some $10m for other existing shareholders.

Share Stakes

Changes in company share stakes announced over the past week include:

Tops Estates—Director Graham Rowlands has purchased a total of 40,000 ordinary increasing his holding to 50,000 shares.

Juliana's Holdings—On July 2, finance director N. Irens sold 50,000 ordinary and now holds 75,075.

Case — On July 19 executive director D. J. Aylott sold 50,000 ordinary at 202p.

Laporte Industries (Holdings)—Director K. J. Minto has sold 20,000 ordinary at 297p.

Robert Horne Group — On July 17 K. E. Horne, a director, purchased 40,000 ordinary.

Unigroup — Director I. Goodman has purchased a further 50,000 ordinary.

No respite in Guinness/Bell battle

This weekend both Arthur Bell and Guinness sent out circulars to shareholders respectively urging them to reject and to accept Guinness' offer, which has now been extended to August 6.

Guinness claims that Bell's has failed on three scores: to stop the decline of its brand in the UK; to exploit the U.S. market; and to manage its subsidiaries successfully. It finishes by saying that Bell's has "no credible strategy for future growth."

Bell's, on the other hand, point to its 14 per cent increase in exports this year, to its strong profits record, and promises that the total dividend for this year will be 15 per cent higher than the dividend paid last year.

F.T. Share Information

The following securities have been added to the Share Information Service:

BSN (Section: Foods, Groceries). Caparo Inds 8pc Conv Cum Red Pref (Industrials). London and Edinburgh Trust 6.5pc Conv Cum Red Pref (Property). Sherwood Computer Services (Electricals). Woolworth Holdings 8¼pc Conv Uns Loan Stock 2000 (Drapery and Stores).

COMPANY NEWS IN BRIEF

ELIZA TINSLEY GROUP'S pre-tax profits for the year to March 31 1985 rose from £546,000 to £754,000 on turnover up from £7.36m to £8.39m. A final dividend of 1.8875p will be paid for a total of 2.8875p net. Stated earnings per 5p share of this USM company improved from 4.93p to 6.67p.

PLASTIC CONSTRUCTION maintained the interim dividend at 0.836p for the six months to the end of March 1985. Turnover rose to £6.57m (£6.13m), but trading profit fell from £120,000 to £104,000.

AFRICAN LAKES *Corporation*, which operates in general trading service industries, mining and agriculture, returned lower taxable profits of £363,208, against £452,438, for the six months to end-January 1985. Turnover was up from £6.2m to £6.58m. Earnings improved in the UK and Malawi, but losses were incurred in Ethiopia and Zimbabwe.

ELBIEF, manufacturer of handbag frames, leathergoods accessories and picture frames, saw pre-tax profits rise to £521,000 (£480,000) in the year to the end of April 1985 on turnover up to £3.81m (£3.56m). A final payment of 1.24p (1.16p) is proposed, making the total 1.72p (1.60p).

UPDOWN INVESTMENT'S net asset value per 25p share amounted to 243.1p at the end of June 1985 compared with 201.4p a year earlier. Available revenue for the six months totalled £113,750 against £85,047.

HOME BREWERY has announced lower pre-tax profits of £2.08m against £2.6m for the half year to end-March 1985, on turnover ahead from £24.12m to £27.12m. The interim dividend is held at 4p net. Stated earnings per share are down from 21p to 18.4p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based *mainly on last year's timetable.*

TODAY

Interims: Bullough, Greggs, Temple Bar Investment Trust.

Finals: Arlington Motor, Andre De Brett, Equipu, Equity Finance Trust, Ewart New Northern, Merrydown Wine, Norton Opax, Target Managed Currency Fund, F. H. Tomkins.

FUTURE DATES

Interims—	
Abbey Panels	†Aug 1
Cowie (T.)	July 31
Reuters	Aug 13
Finals—	
CVD Inc.	Aug 27
Lister	Aug 1
Owen and Robinson	Aug 9
Phoenix Timber	Aug 2
Warehouse Group	Aug 5

† Amended.

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,580	Ass. Brit. Ind. Ord.	135	—	6.6	4.6	7.5	8.9
—	Ass. Brit. Ind. CULS	138	—	10.0	7.2	—	—
2,547	Airsprung Group	44	—	6.4	14.5	7.3	9.6
900	Armitage and Rhodes	36	—	2.9	8.1	4.5	7.5
43,558	Bardon Hill	159	+1	4.0	2.5	20.1	20.9
3,410	Bray Technologies	62	—	3.9	6.3	7.6	8.7
557	CCL Ordinary	159	−1	12.0	7.5	3.9	3.7
1,312	CCL 11pc Conv. Pref.	105	—	15.7	14.9	—	—
7,787	Carborundum Ord.	130	—	4.9	3.8	6.4	10.1
630	Carborundum 7.5pc Pf.	90	+1	10.7	11.9	—	—
3,835	Deborah Services	49	+1	6.5	13.3	4.7	7.5
29,657	Frank Horsell	467xd	+10	1.4	0.3	12.0	15.4
—	Frank Horsell Pr Ord.87	360xd	—	11.9	3.3	9.3	11.9
3,756	Frederick Parker	26	—	—	—	—	—
1,254	George Blair	68	+2	—	—	4.6	9.1
812	Ind. Precision Castings	20	—	2.7	13.5	5.5	5.9
14,329	Isis Group	180	—	15.0	8.3	13.8	26.9
5,468	Jackson Group	105	−1	5.5	5.2	7.0	7.0
33,003	James Burrough	238	+2	15.0	6.3	7.5	7.5
3,258	James Burrough 9pcPf.	94	+2	12.9	13.7	—	—
9,170	John Howard and Co.	88	−1	5.0	5.7	7.0	11.0
3,584	Linguaphone Ord.	213	−1	—	—	7.8	8.1
—	Linguaphone 10.5pc Pf.	94	−1	15.0	16.0	—	—
16,939	Minihouse Holding NV	590	—	6.9	1.2	25.8	24.5
663	Robert Jenkins	65	—	—	—	8.4	8.9
1,230	Scruttons "A"	30	−2	—	—	—	7.7
1,630	Torday and Carlisle	75	—	5.0	6.7	3.8	6.9
1,473	Trevian Holdings	325	—	4.3	1.3	18.5	18.2
6,181	Unilock Holdings	33	+3	2.1	6.4	9.0	8.8
13,433	Walter Alexander	105	—	7.5	7.1	7.9	11.3
5,041	W. S. Yeates	216	−4	17.4	8.1	6.1	10.6

Prices and details of services now available on Prestel, page 48146

FINANCIAL TIMES STOCK INDICES

	July 26	July 25	July 24	July 23	July 22	July 19	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.46	83.15	83.26	83.29	82.96	83.08	83.66	78.02	127.4	40.0
Fixed Interest	88.50	88.30	88.29	88.26	88.14	88.15	88.50	88.17	150.4	50.0
Ordinary	924.1	911.0	926.0	921.1	925.3	935.4	1024.5	911.0	1034.5	40.0
Gold Mines	332.6	330.2	369.3	386.7	385.2	404.9	536.9	330.2	734.7	45.4
FT-Act All Share	597.13	591.23	596.93	595.12	599.12	603.26	644.21	581.88	644.21	61.92
FT-SE100	1239.7	1221.7	1236.2	1233.1	1241.1	1252.5	1324.4	1306.1	1342.4	986.9

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or−	Net div.	Times covered	Gross yield	P/E ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+or−
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or−
[illegible]							
120	Nil	30/8	8pm	5pm	Prestwich	5pm	
600	F.P.	20/8	700	643	Union Discount £1	690	
A$1.25	Nil	—	5pm	1pm	♣Woodside Pet. A$0.50	1pm	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‖ Introduction. ♣ Unlisted Securities Market. § Placing price. :: Dealt in under Rule 535 (3). Dealt in under Rule 535 (4) (a).

PENDING DIVIDENDS

	Date	Announcement last year
AMEC	Aug 29	Interim 4.0
APV	Aug 23	Interim 4.5
Assoc. Dairies	Aug 28	Final 1.75
BBA	Aug 23	Interim 0.84
*BICC	Sept 4	Interim due
*Barclays	Aug 1	Interim 12.5
Blagden Inds.	Aug 20	Interim 3.5
Blue Circle Industs	Aug 23	Interim 6.0
BSR	Aug 15	Interim 0.385
Cadbury Schweppes	Aug 23	Interim 1.6
Charterhouse Petroleum	Aug 30	Interim 0.25
*Commercial Union	Aug 14	Interim due
*Corah	Aug 15	Interim 1.6
*De Beers	Aug 20	Interim 12½c
*Dee Corpn	Aug 8	Final 3
Exco Intl	Aug 23	Interim 4.25
Fleet Hldgs	Aug 30	Final 3.25
General Accident	Aug 15	Interim 8
Glynwed Int	Aug 6	Interim 3.25
*GKN	Aug 7	Interim 4
HK Shanghai Bank	Aug 28	Interim $0.15
Horizon Travel	Aug 22	Interim 0.88
Johnson Gp Cleaners	Aug 30	Interim 3.18
Ladbroke	Aug 30	Interim 4.477
Lasmo	Aug 30	Interim 4.5
*Lloyds Bank	Aug 2	Interim 9.5
*Mercantile House	July 31	Final 8.25
*Midland Bk	Aug 1	Interim 11
*NatWest	July 30	Interim 12.0
Nottingham Manufg	July 23	Interim 1.45
*Ocean Transport	July 31	Interim 2.15
Pentland Industs	Aug 30	Interim 0.6
Property Sec Invest Tst	Aug 8	Final 1.5
Queens Moat Houses	Aug 23	Interim 0.665
*Reuters	Aug 13	Interim due
*Royal Dutch Pet	Aug 8	Interim due
*Royal Insurance	Aug 16	Interim 8.75
Securicor	Aug 15	Interim 0.49
*STC	Aug 10	Interim 3.25
*Shell Transport	Aug 8	Interim 11.3
Sime Darby	Sept 1	Final 6.8 sen
Slough Ests	Aug 29	Interim 1.8
*Smith and Nephew	Aug 8	Interim 1.4
Smith (W. H.)	Aug 22	Final 1.171
Standard Chartered	Aug 21	Interim 9.5
Stock Conversion	Aug 13	Final 3.5
*TI	Aug 8	Interim 5
Taylor		

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Company Notices

Art Galleries

Clubs

INTERNATIONAL APPOINTMENTS

Keppel chief takes lead role at Straits Steamship

BY CHRIS SHERWELL IN SINGAPORE

MR CHUA CHOR TECK, group managing director of the troubled state-controlled corporation Keppel Shipyard, is to become chief executive of Straits Steamship (Steamers), the publicly-quoted subsidiary which Keppel took over in 1983.

Mr Chua, one of the main architects of the controversial S$400m (US$182m) deal, succeeds Mr Richard St J. Stevens on September 1. Mr Stevens has held the job since May 1981 and is leaving the Straits Group by mutual agreement.

The move is part of a corporate restructuring under which Steamers becomes more closely integrated into the Keppel Group. The aim is a more compact management team, offering lower overheads and what the company calls "greater commercial synergy."

Mr Chua's new job is additional to his existing responsibilities. At the same time, Mr Lim Chee Onn, an MP and former Cabinet Minister, is promoted to managing director of Steamers.

Although the departure of Mr Stevens has long been on the cards, Mr Chua's appointment has surprised some. The government has complained loudly over the price paid for Steamers, the large borrowings involved and the heavy losses shouldered: of Singapore's 57 state sector corporations, Keppel generated the biggest losses for the government—S$118m—in the 1984 fiscal year.

Mr Chua, who is 45, grew up in the business, having served an apprenticeship. He has been with Keppel since its earliest days, and takes on the new post at a time when the shipbuilding and shiprepair industry is embarking on major rationalisation to cope with difficult times.

Big changes at Credit Agricole

By David Marsh in Paris

CREDIT AGRICOLE, the second largest French bank, currently ranked ninth in the world, has announced a wide ranging series of management changes which brings into top posts several officials previously closely connected with the Socialist Government.

The reorganisation follows the taking over earlier this year as Credit Agricole director-general of M Jean-Paul Huchon, formerly a senior official at the Agriculture Ministry.

The wide-ranging changes contrast with the relatively moderate alterations made in the management structure of most other top French banks when the Socialist Government came to power in 1982. Credit Agricole, a co-operative grouping built up to serve the farming community, has been increasingly competing with the other French banks in financial and industrial business. Although it is not nationalised like the other big French banks, the organisation's central grouping, the Caisse Nationale de Credit Agricole, is under the control of the Finance and Agriculture Ministries.

M Gilles Guitton, a former member of the ministerial team of M Pierre Beregovoy, the Finance Minister, who joined the bank a few months ago, has been appointed assistant director general in charge of co-ordinating the bank's international business and its loans activities.

M Yves Lyon-Caen, a former official at the Prime Minister's office, is taking over as central director in charge of credit, while M Jean-Pierre Beysson, formerly in charge of the bank's agriculture and residential section, has been appointed central director for financial analysis and management.

M Francois Jouven, a former top Finance Ministry official, is taking over as central director looking after international affairs. He replaces M Serge Robert, who has left to become assistant chairman of the Mastercard, the international payments systems group.

M Henri Cukierman, currently head of the financial markets department, will take up the post of central director for resources. M Jacques Lenormand has been named head of a new department for communications and public affairs.

New economist at Marine Midland

By Our Financial Staff

MARINE MIDLAND BANK, the chief operating arm of Marine Midland Banks of New York, has named Dr Albert E. DePrince Jr, chief economist. Dr DePrince, who was Marine's domestic economist, is to head the bank's economics group which has been reorganised to focus on five areas: financial markets, international, inter-industrial and region economics, and macroeconomics.

Changes at Manny Hanny

MANUFACTURERS Hanover Corporation, the New York bank, has announced senior management appointments in its corporate banking sector. In a move towards decentralised management, the sector's North American division has been reorganised into two units.

Mr Herbert F. Aspbury, executive vice president, will head North American Division-One, which will be responsible for large corporate and multinational accounts in the U.S and Canada.

Mr Michael Hegarty is to head North American Division-Two, which will be responsible for various large corporate accounts and middle market business in the New York area.

Mission chairman

MISSION INSURANCE Group has elected Mr Carl H. Linder chairman of the board, succeeding Mr Edward A. Smith who declined to run for re-election. *Mr Linder is chairman* and chief executive officer of American Financial Corporation which owns 49.9 per cent of the outstanding Mission Stock, reports Reuter from Cincinnati.

National Australia

MR N. R. CLARK has succeeded Mr J. D. Booth as managing director of National Australia Bank. Mr Clark is succeeded as deputy chief executive by Mr W. H. Hodgson. Mr Booth has retired.

Changes at Arco take in Ralph Cox retirement

BY OUR FINANCIAL STAFF

ATLANTIC RICHFIELD (Arco), the U.S. oil company, has announced that Mr Ralph Cox is to retire, report AP-DJ from Los Angeles.

The retirement of Mr Cox, 53, comes along with other changes in senior management. The changes follow the selection last month of Mr Lodwrick M. Cook to succeed Mr William F. Kieschnick, who is to retire on October 15 as president and chief executive officer.

Mr Robert E. Wycoff is to assume Mr Cox's responsibility for Arco's resource operations. Mr Wycoff's duties as head of Arco's products operations will be assumed by Mr James Morrison, 55, who is president of Arco Petroleum Products Company. Mr George H. Babikian, 57, will succeed Mr Morrison as president of Arco Petroleum Products.

Mr Cox is to remain with the company until early next year. After that, he will "devote himself to personal affairs," the company said, while intending to "remain active in the petroleum industry."

Arco has been undergoing restructuring, under which about 6,000 of the company's 39,400 employees have accepted early-retirement packages. Arco recently said it would dismiss 1,900 more employees.

* * *

COMMUNICATIONS Satellite Corporation, the U.S. satellite systems and communications group, has announced that Mr *Irving Goldstein* will succeed Dr Joseph Charyk as chairman and chief executive when Dr Charyk retires at the end of September.

Mr Goldstein will be succeeded as president by Mr Marcel Joseph, who will also assume the newly-reated title of chief operating officer.

* * *

MR NOLAN D. ARCHIBALD has been elected president and chief operating officer of Black and Decker, the U.S. power tools concern, with effect from September 9. Mr Laurence J. Farley, president and chief executive since 1983, is to become chairman and chief executive. Mr Archibald was previously president of the consumer durables group at Beatrice Companies.

* * *

TRIANGLE INDUSTRIES, the largest U.S. manufacturer of currency changers, juke boxes and vending machines, which recently took over National Can Corporation, the container concern, has named three National Can directors to its nine-member board.

The new directors are: Mr Frank W. Considine, the National Can chairman, Mr John D. Gray and Mr John L. Hanigan. Triangle acquired National Can for over $400m.

* * *

MR HUGO VAJK has been named President of Garrett Automotive Products Companies, Torrance/California, a division of Garrett Corporation, of Los Angeles, and part of Signal Companies.

* * *

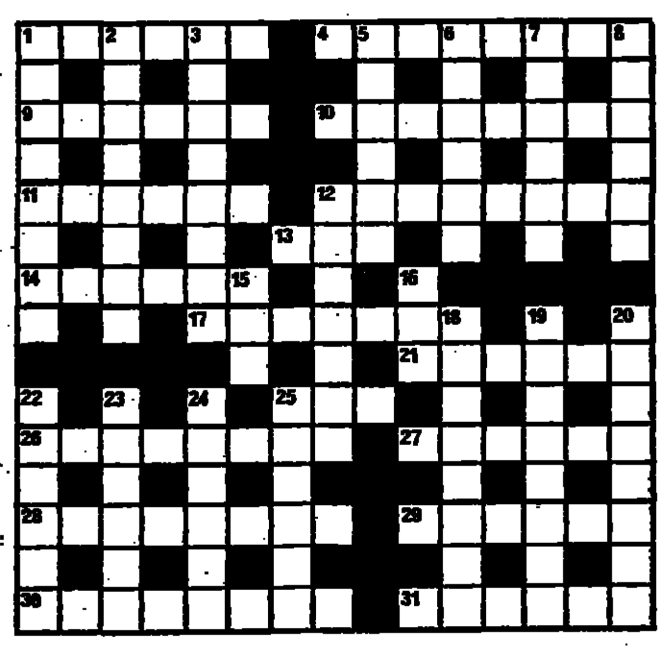
ENSERCH CORPORATION, the diversified energy holding company, has announced that Lonestar Gas Company, its subsidiary, appointed Mr Carl L. Neaves, former company president, to the new position of chairman. The company has appointed Mr David W. Biegler president, in succession to Mr Neaves.

* * *

MR JOHN E. BERNDT has been named president and chief executive of AT and T International, AT and T's global marketing and sales company. Mr Berndt succeeds Mr Robert E. Sageman, who is retiring after 37 years with AT and T,

CHROMALLOY AMERICAN Corporation, a diversified concern with interests in metal fabrication, clothing, transport and petrol services, has elected Mr Norman E. Alexander to the post of president. Mr Alexander, who continues as chairman and chief executive, takes over from Mr William E. Stevens.

F.T. CROSSWORD PUZZLE No. 5,781



ACROSS

1 How to march on foot (6)
4 Eastern sailor an American and me return from travel abroad (8)
9 Watch a sort of cricket without a century (6)
10 Sounds the same as one related insect (8)
11 Cavorted but mope about in a way (6)
12 Moslem religion centres around the century before (8)
13 Start to throw things (3)
14 Sue and try changing terms of bail (6)
17 Apportion for example men in the street (7)
21 Odd in odd let, odd gait (6)
25 Fixed games (3)
26 Over support in my constitution (8)
27 Engineers willingly stand-in (6)
28 Upset goes down as material for 29 (4, 4)
29 Unusual ride held to copy juggler (6)
30 Hair raising occupation (8)
31 Get angry going on a bit (6)

DOWN

1 Curiosity in examination about Religious Education (8)
2 Leaves so creamy a mixture (8)
3 Men in steel worked in fire and water (8)
5 Is the Queen in my distress (6)
6 Game of dissension (6)
7 Confusing passage in time bewildered (6)
8 Unorthodox set consumed land (6)
12 Stack a number with him over the toss of a coin (7)
15 A desire for money (3)
16 A New Testament driver for instance (3)
18 Light suited participant in a sort of rodeo art (8)
19 Added about a hundred in it when in need of a double (8)
20 By the long arm of necessity (8)
22 I am a long time making pictures (6)
23 Repeat in French or in church (6)
24 Second-rate farm as a side line (6)
25 The fall of an exhibitor (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$31.54	—	−0.17	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$33.28	—	—	—

Inv. Adv.: M. & G. Inv. Mngt. Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.82	—	−0.17	—
Dynamic Gwth Fd	$8.05	—	−0.08	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.0	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.30	9.19	13.62	6mth
7-day Fnd	12.10	9.05	13.39	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.20	9.12	13.45	6-Mth
7-day Fund	12.18	9.10	13.42	6-Mth
Dollar	6.37	—	—	6-Mth
Money Mngt. Acct	11.75	8.78	13.14	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Chr Acc	11.75	8.30	12.40	Qr
Allied Home 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.875	8.879	13.50	Qr
Min. Int. Chq.	11.75	8.78	13.30	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.40	8.52	12.65	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.50	8.625	12.90	Qr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.87	8.88	12.54	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.88	8.88	13.44	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	10.00	14.03	Qr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	10.0	7.48	10.99	Qr
£2,500 +	12.50	9.34	13.82	Qr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	12.25	9.16	13.73	Qr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	12.00	8.97	13.59	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	11.40	8.52	12.65	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
High Int Cheque	11.50	8.60	—	Qr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	12.375	9.25	13.23	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
N.I.C.A.	11.75	8.78	13.07	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	11.37	8.50	12.70	Qr
Provincial Trust (formerly Chesterfield) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc	12.25	9.16	13.90	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.50	8.59	12.85	Qr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	11.50	8.60	12.82	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.81	8.83	12.48	Qr
Money Acc	11.87	8.87	12.678	Qr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	12.00	8.97	13.59	Mth
Over £10,000	12.25	9.15	13.88	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 241411				
High Int Chq Acc	12.19	9.11	13.46	Qr

NOTES.—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp	25	Nat West Bk	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	52
Boots	15	Reed Intnl	50
Bowaters	28	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	22½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	3½	Land Secs	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brist. Oil & Min	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst.	17½	Charterhall	6
Hawker Sidd	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24		
Legal & Gen	50	Charter Cons	18
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25		
Marks & Spencer	11	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
3 Mar	3 Sep	Treas 8¼pcCnv '85	99	25.1	8.78	12.15
22 May	22 Nov	Exch. 12¼pc 1985	100	15.4	12.25	11.23
25 Aug	25 Feb	Exch. 11½pc '86	100¾xd	19.7	11.71	11.07
11 Oct	11 Apr	Treas. 10pcCnv 1986	99	5.3	10.07	10.94
19 Nov	19 May	Treas 3pc 1986	95⅝	12.4	3.15	9.04
19 Nov	19 May	Exch 10½pc Cv '86	99	12.4	10.53	10.82
12 Dec	12 Jun	Treas 12pc 1986	101	7.5	11.88	10.70
10 Jan	10 Jul	Treas 8½pc 1984-86‡‡	98	3.6	8.66	10.53
29 Apr	29 Oct	Exch. 14pc 1986	103	25.3	13.50	10.69
21 May	21 Nov	Exch 2½pc 1986	93¼	15.4	2.68	7.98
22 Jul	22 Jan	Exch. 13¼pc 1987	103¼xd	17.6	12.82	10.68
10 Aug	10 Feb	Treas 10½pcCv '87	99 xd	4.7	10.31	10.64
24 Aug	24 Feb	Exch 2½pc 1987	91 xd	18.1	2.73	8.39
6 Oct	6 Apr	Exch 10½pc 1987	99	1.3	10.53	10.66
1 Nov	1 May	Funding 6½pc '85-87‡‡	93	25.3	6.93	10.41
12 Dec	12 Jun	Treas. 10pc 1987	98	7.5	10.11	10.61
14 Jan	14 Jly	Treas 3pc 1987	90¼	7.6	3.32	8.50
3 May	3 Nov	Treas. 12pc 1987	102	27.3	11.73	10.76
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	94¼xd	19.6	8.23	10.41
10 Nov	10 May	Exch 10½pc '88	99	3.4	10.56	10.71
14 Dec	14 Jne	Treas 9¼pc Cv '88	97	8.5	10.01	10.84
1 Jan	1 Jul	Transport 3pc '78-88	86¼	28.5	3.48	8.40

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
F.My.Au.N.	Amer Medical Int $1	28½xd	8.7	60c	—	2.3
May Ab No Fb	Amer. Nat. Res. $1	51¼xd	10.10	h$1.41	—	2.7
Fb My Ag Nv	American T. & T. $1	15¾	26.3	$1.20	—	5.5
My Au N F	Ameritech $1	62⅝	—	$6.00	—	6.9
—	Amfacll	19⅝	26.11	$1.44	—	5.3
—	♦AndTech‡	27p	—	—	—	—
Fb My Au N	Bankamerica $1	12⅛	7.5	$1.52	—	8.9
Ap Jly Oc Jan	Bankers N.Y. $10	47¼xd	28.3	$2.70	—	4.1
Ja Ap Jy Oct	BASIX Corp.	694p	20.6	12c	—	1.2
My Au N Fb	Bell Atlantic $1	63	27.3	$6.80	—	7.8
Fb My Au N	Bellsouth $1	28⅝	25.6	$2.60	—	6.5
Mar Jun S D	♦Beth Steel $8	13¼	4.11	40c	—	2.2
Oc Ja Ap Jy	Bowater Inc.	17xd	5.6	72c	—	3.0
Ja Ap Jly O	Brown'g-Fer. 16⅔c	36	17.6	$1.08	—	2.2
F My Au N	Brunswick Corpn.‡	26¼xd	22.7	$1.00	—	2.8
—	♦Business Computer	274p	—	—	—	—
Jan Ap Jly O	CPC Intnl. 25c	30¼xd	25.6	$2.20	—	5.2
Mr Ju Se De	CSX Corp U.S.$1.00	20	21.5	$1.04	—	3.7
Mar. June S.D.	CalFed Inc $1.00	15¼xd	10.5	32c	—	1.5
Oc Ja Ap Jy	Campbell Soup 60c	53	3.7	$5.00	—	6.8
F My Ab N	Caterpillar Tractor‡	26⅞xd	17.7	50c	—	1.3
—	Cenergy Corp. 25c	561p	—	1c	—	—
Fb.My.Ag.Nv.	Chase M'hen $12.5	41½xd	25.4	$3.80	—	6.6
Ap Jy Oc Ja	Chemical New York	28⅝	12.3	$2.48	—	6.2
Mar Jun S D	Chesebrough Pond's $1	23½	30.5	$1.92	—	5.9
Mar Jun S D	Chrysler $6¼	25	12.6	$1.00	—	2.9
My Ao N F	Citicorp $4	33⅝	25.6	$2.26	—	4.8
—	CityFed Fin. Corp.	926p	—	040c	—	3.1
F My Ag N	Colgate-P. $1	19xd	22.7	$1.28	—	4.9
Mr.Ju.Se.De.	Colt Indl. $1	43⅛	12.3	$2.50	—	4.1
F May Au N	Cont Illinois Hldgs $1	71p	27.3	—	—	—
—	♦Corporate Data Sciences	128p	—	—	—	—
Dec. Aug	Crown Zell. $5	27¼xd	5.6	$1.00	—	2.6
—	Cullinet Sftwr $0.1	19	—	—	—	—
—	Damson Oil 40c	250p	—	—	—	—
Mar Jun S D	Dana Corp. $1	18⅞	22.5	$1.28	—	4.9
—	Data General	30⅝	—	—	—	—
—	♦Dev.-ra-Lock Medical	25½p	—	—	—	—
M J S D	Dun & Bradstreet $1	53⅝xd	15.5	$1.88	—	2.5
F My Au N	Eaton Corpn. 50c	38⅝	1.5	$1.20	—	2.3
Mar Jun S D	♦Exxon‡‡	37⅝	7.11	$3.40	—	6.5
MrJuSepDec	FPL Group $0.01	17⅝	27.11	h$1.88	—	7.7
F May Au N	Fin. Corpn. Amer. 50c	499p	25.6	h34c	—	4.9
Jan Apr Jly O	First Chicago $5	16⅛	8.6	$1.32	—	5.7

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING—Continued

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

ENGINEERING

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		‡Mainmet Hldgs 10p	35	—	—	—	—	—
Apr.	Oct.	Man. Ship Can. £1	383	25.2	5.5	3.5	2.6	15.9
Oct	Apr	Marley	71	11.3	3.75	2.2	7.5	8.6
Feb.	Oct.	Marling Ind. 10p	87	24.12	td3.0	♦	2.1	♦
Dec	June	Marshall L'ay. 'A'	61	29.4	2.4	4.9	5.6	4.4
Jan.	July	Marshall's Universal	61	3.6	2.0	1.4	4.7	(19.0)
June	Dec	Do. 7½pcCnRedPf £1	82	1.7	7½%	—	13.1	—
Nov	May	Martin-Black	224	5'79	—	—	—	—
—		‡Mathesons 7¼%	£95	30.6	Q7¼%	2.3	8.5	—
—		‡Maxiprint 1p	29	—	—	—	—	—
Jan.	June	Metal Box £1	435	17.6	17.25	3.1	5.7	6.5
Nov.	June	Metal Closures	123	15.4	6.7	2.0	7.8	7.7
—		‡Metal Sciences 2½p	38	—	—	—	—	—
July	Jan	‡Midland Marts	83	1.7	4.0	♦	6.9	♦
Jan	May	Mitchell Cotts	64½	25.3	t4.0	2.5	8.9	9.2
Jan.	July	Morgan Crucible	194	29.4	8.0	1.6	5.9	13.5
May		‡Morris (W) F.A. 20p	27½	—	g0.5	♦	2.6	♦
Jan.	Aug.	Moss (Robt.) 10p	95	3.6	3.0	2.5	4.5	10.5
July		Myson Grp 10p	72	13.5	g2.5	3.4	5.0	13.7
Nov	June	‡NMW Computers	240	29.4	b4.8	2.7	2.9	18.4
Mar.	Sept.	Nash Inds.	30	14.1	‡2.5	1.5	‡	6.9
Oct.	April	Neill & Spencer 10p	19	3'81	♦	—	—	5.7
Jan	July	Newman Inds 10p	33	1279	—	—	—	(15.6)
April	Oct	Nolton	44	26.11	‡1.17	4.5	5.4	7.3
Jan.	Aug	Norcros	168xd	15.7	8.6	2.2	7.3	8.4
Oct.	April	Nu-Swift 5p	51	3.6	3.0	1.6	8.4	9.8
Feb.	Aug.	Oakwood Grp.	98xd	15.7	td4.5	1.4	7.1	(13.3)
Jan.	June	Office & Elect	210	3.6	7.5	2.4	5.1	11.5
—		Oldacre 20p	75	28.1	4.0	2.6	7.9	6.4
—		‡Optometrics $0.01	44	—	ud02c	—	3.6	46.7
May	Nov	Oriflame £1	430	25.3	23.4	1.8	5.4	10.2
Jan.	June	Overstone 12½p	16	3.6	g03.23c	1.9	8.0	6.6
May	Nov.	Ozalid 9pc Cnv 87-92	£187	15.4	Q9%	—	t4.8	—
December		‡PCT Grp 10p	140	1.7	3.2	2.2	4.8	16.9
April		PLM 'B' Sk 25	875	3.4	Q21.6%	♦	5.3	♦
—		PSM Intl.	142	13.5	gd5.25	2.5	5.3	9.7

LEISURE—Continued

Dividends Paid		Stock	Price
Nov	May	‡Central T.V. N/V 50p	185
		Chrysalis	175
—		‡Entertain Prod 5p	7
Feb.	June	Fairline Boats 10p	68
Apr.	Oct.	First Leisure £1	297
—		GRA Group 5p	55
Jan	June	Grampian TVA 10p	25
May	Oct.	HTV Non/Vtg	137
May	Oct.	Horizon	95
Jan	July	Insight	156
Jan	Aug	Intasun 10p	120
—		‡Intervision Video 10p	[illegible]
Nov	June	Juliana's Hldgs 2p	172
Jan	April	LWT	255
—		‡Leisure Inv 10p	28
Jan	Jul	Leisuretime Inv 10p	59
		For Mngmt Ag M s[illegible]	
—		‡Media Tech Int 20p	157
Apr.	Dec.	Medminster 10p	164
Oct	May	‡Miss World 10p	185
May		Nationwide Leisure	71
—		‡Nimslo Int 20c	28
July		‡Owners Abroad	19
—		Photax (Lon.)	44
April		‡P'dilly Radio NV 5p	22
December		‡Pineapple Dnc Sx 10p	40
Sept.	Apr.	Pleasurama 5p	223
—		Do. 7pcCnCmRedPf	116
May		‡Pres Entertain 50p	82
Feb-July		‡Radio City 'A' NV	35
Jan	July	‡Radio Clyde N/V	42
July	Jan	Riley Leisure 10p	34
Apr.	Nov	Saga Hols. 20p	155
April		Samuelson Grp 20p	225
Jan	July	‡Sangers Photo 10p	33
July		‡Scantro 50p	150

[illegible]

Four level basement for Library

A complex £5.05m contract for basement works at the new British Library site, NW1, has been awarded to **JOHN MOWLEM AND CO.** The work comprises construction of concrete basement slabs to four levels below ground, using the top-down method. Some 125,000 cu metres of London clay will be excavated floor by floor, working through access holes left in the concrete slabs Shuttering will generally be supported on dwarf formwork, the scheme being designed to allow for any heave in the clay. All construction materials, including 20,500 cu metres of pumped concrete and 3,825 tonnes of reinforcement will be distributed to lower levels through access holes.

Other operations include *breaking out temporary* columns and the removal of Armco casings and gravel fill which surround steel columns installed by Mowlem under a previous *£500,000 contract*. These columns will be grit blasted, cleaned and cased in concrete. The contract is being carried out for the Property Services Agency of the Department of the Environment, under Laing Management Contracting. Work starts this month for completion in December 1987.

★

SIR ROBERT MCALPINE MANAGEMENT CONTRACTORS has been awarded a £2.5m contract by The Royal Society of Medicine for extensive refurbishment and refitting of the old headquarters building in Wimpole Street, which will be linked to the Society's new premises on the adjacent site. Work includes demolition of two lifts and surrounding areas. These will be rebuilt to provide additional toilet facilities on three floors. Extensive demolition will be carried out within the ground, third and fourth floors with limited demolition of partition walls on the first and second floors. The two mezzanine floors will be extended. The ground floor will be refurbished to provide conference facilities including translation booths. The contract includes installation of a passenger lift, two document hoists, central heating and partial air conditioning. Work has begun and is due for completion in January 1986.

BUILDING CONTRACTS

Sun Life goes West

John Laing Construction has won an £18.4m contract to build a new UK headquarters for the Sun Life Assurance Company of Canada, one of the world's largest life insurance organisations, writes Joan Gray, construction correspondent.

The new offices will be built in Basingstoke, on the Eastrop Roundabout site near the town centre.

They are designed to house 500 head office staff and to provide what Sun Life vice president Mr Maurice Bates describes as a "highly prestigious building to match the position that the company holds."

The development will include an L-shaped seven-storey block connected by glass-clad link bridges to a rectangular five-storey office building around an enclosed atrium.

The glazed atrium will have marble walls and floors and will be landscaped. The exterior walls will be *clad in mirror glass*, and the whole site will be landscaped to include a small amphitheatre. The structural frame of the building is in situ reinforced concrete on piled foundations.

***The whole development* is scheduled for completion in the first half of 1987.**

£3.6m Wigan ring road

Norwest Holst Civil Engineering has been awarded a £3.6m contract *to build the second stage* of Wigan Ring Road (Eastern Section). The contract was awarded by Greater Manchester County Council, for construction *of about ½-mile of* 10 metres single carriageway road, and about ¾ mile of dual two-lane carriageway road in flexible construction. The contract includes traffic signal controlled junctions, associated bridgeworks, earthworks, drainage, street lighting and other ancillary works including major service diversions. The work is due for completion in June 1987. Scholes Bridge, which carries Millgate over the River Douglas will be redecked in phases with 11 metre span precast, prestressed beams; Powell Street River Bridge *will* be demolished and replaced by a wider bridge to carry the road over the River Douglas. It will have an 11 metre span with semi-mass substructures and a composite weather resisting steel and concrete deck. Central Park Footbridge over the River Douglas will be redecked in reinforced concrete; Great Acres Bridge will carry the new road over a realigned River Douglas and will have semi-mass substructures and a composite 22.6 metre span weather-resisting steel and concrete slab deck. Great Acres and Powell Street bridges will be faced with natural stone partly supplied from existing masonry recovered from the demolished bridges. The remaining three structures are reinforced concrete retaining walls and two will be faced in *brickwork to match their* surroundings.

£5m for Balfour Beatty

BALFOUR BEATTY BUILDING has received a £326,000 contract from Macdonalds Hamburgers for refurbishing a building in Wilmslow, Cheshire, and from the same client a £232,000 order for fitting-out a restaurant at Wallasey on Merseyside.

Building construction contracts have been placed by Josiah Wedgwood for a £928,000 extention to its works at Longton, Stoke, and a £197,000 contract for an extention to the R and D department of Baxi Heating.

Kent County Council has placed a £3.11m contract with Balfour Beatty Construction for reconstruction work on the Swanscombe to Pepperhill section of the A2 trunk road for completion in 16 weeks.

Whitley Moran and Co has received a £418,000 contract from the Merseyside Development Corporation for further underpinning and repair work to river and dock walls in the Albert and Canning Docks in Liverpool. Rockfill, pressure pointing, drilling and stitching, grouting and sprayed concrete will be undertaken. *Balfour Beatty is a* member of the BICC Group.

★

A £1.9m contract to renovate parts of a 1930s art-deco building on the A40 road in Perivale, Middlesex, has been awarded to **TAYLOR WOODROW CONSTRUCTION** by Hoover. The contract calls for the design and carrying out of renovations to three sections of the building, which is Hoover's UK headquarters. This will involve converting a storage area into offices, extending offices and providing a computer suite, including heating and ventilation. Work is scheduled for completion in December.

★

R. DURTNELL AND SONS, Westerham, has been awarded the contract for the construction of an office development at North End, SW6, for Bede Securities at a value of £420,000, for completion in May 1986.

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

INSURANCE

Spotlight on who pays when a U.S. insurer collapses

BY WILLIAM HALL IN NEW YORK

THERE seems to be a difference of opinion in how the investment community views Frank B. Hall, the U.S. insurance broker, and how some people in the insurance industry view the company's recent behaviour.

Hall, which is based in New York, announced two weeks ago that it would not challenge an official order to liquidate Union Indemnity, a small New York subsidiary which specialised in insuring construction contracts. Thus Hall focussed attention again on the subject of who pays the bill when a U.S. insurance company collapses.

The New York State Insurance Department says that, at the end of 1984, Union Indemnity was insolvent by $138.5m (£98.9m). Frank B. Hall says that the figure is far less and anyway the total amount is academic because its exposure is limited to its $14.5m investment in the unit.

Many Union Indemnity policyholders and several State insurance commissioners are unhappy, not surprisingly, that Hall would even think of walking away from Union.

The concern in the insurance industry about the Union Indemnity affair has not appeared to affect Hall's share price. In spite of its well-publicised financial problems—Hall was forced to cut its dividend in late 1983—the company's shares have been hitting highs in recent weeks

With the recent sharp improvement in prices in the insurance industry, which generates higher commissions for Hall's core brokerage operations, investors are clearly betting that, after four years of sliding profits, Hall's earnings are poised for a strong recovery over the next few years. Also, the decision by Mr Saul Steinberg, the corporate predator, to take a 20 per cent stake in the company has provoked speculation that it could be a takeover target.

The strength of the Hall share price has surprised some analysts, given the possible scale of Union Indemnity's losses in relation to Hall's balance sheet, which at the end of last year showed shareholders' funds of $123.3m, goodwill of $77.3m and long-term debt of $154.6m.

Although the balance sheet has been strengthened since then by the debt and equity issues of the last few months, there is considerable doubt as to whether Hall would be able to shoulder Union Indemnity's full losses, if they are as large as the New York Insurance Department is suggesting.

Hall's position is that its potential liability is limited to its $14.5m investment in the company. This is supported by several lawyers.

Not everyone believes that Frank B. Hall will be able to escape from the Union Indemnity affair so easily. "If they do find some way to walk away, and I am not sure they will be found free of any further liabilities, their reputation will suffer," says Mr Tom Rosencrants, the head of research at Conning & Co, a broker which specialises in insurance shares and is based in *Hartford*, Connecticut.

As part of an agreement to repay most of the group's bank borrowings this summer, Hall agreed not to make any further investments in Union Indemnity or to issue any guarantees on behalf of Union Indemnity which would require performance by the company before the loans had been repaid.

The New York State Insurance *Department*, whose case load of troubled insurance companies is increasing, refuses to comment on whether it believes Hall would be liable for more than its $14.5m investment in Union Indemnity, if the company's losses were found to be substantially greater.

The regulators have various options, including that of suing the directors of the failed company and its parent, which is understood to have placed insurance for its customers with the subsidiary. As a broker based in New York, Frank B. Hall is dependent on the New York insurance commissioner for the annual renewal of its brokerage licence, which could give the official leverage on the company.

Whatever the outcome of the Union Indemnity affair, it has highlighted again the flimsy safety nets supposed to protect policy-holders of failed insurance companies in the U.S.

Customers of Union Indemnity who are based in New York will be protected by the state security fund, which has assets of about $200m. Policy-holders in other states, though, will have to rely on state insurance departments, which, in many cases, lack the resources to protect in full policy-holders of Union Indemnity.

APPOINTMENTS

Hancock joins Chloride

Following the agreement reached between Chloride and Dunlop Olympic, CHLORIDE has made the following management changes: *Mr Alex Stitt, chairman* of Chloride America, has resigned as a director of Chloride. He will be joining Dunlop Olympic when arrangements to acquire Chloride Incorporated of U.S. have been completed. Mr Charles Mackay, currently chairman of Chloride Overseas and a director of Chloride, has been appointed chairman, Chloride Power Electronics. In this new role he will be responsible for integrating and developing Chloride's existing power electronics and systems businesses in North America, UK and continental Europe.

Mr Ron Hancock is joining Chloride on August 27 when he will succeed Mr Mackay as chairman of Chloride's overseas operations. He was until recently chairman and chief executive of Leyland Vehicles. Prior to that he was managing director of BL subsidiaries in India and Australia, and later had responsibility from the UK for BL operations in parts of Africa. It is the intention to appoint him to the board of Chloride in October. Until August 27 **Mr Ken Hodgson** will be responsible for Chloride overseas in addition to his existing role as the group's chief executive.

★

Mr Peter Burt has been appointed a joint general manager of the BANK OF SCOTLAND and will take charge of the bank's international division in November, in succession to **Mr James Young**, who retires later this year. Mr Burt was previously divisional general manager, international division. **Mr Ian Robertson** becomes divisional general manager of the international division. He takes over from Mr Burt later this year. Mr Robertson was previously assistant general manager, international division.

★

BANKSIDE UNDERWRITING AGENCIES, formed by existing management, has acquired the Lloyd's underwriting agency activities of Reed Stenhouse. The board of Bankside is: **Mr H. G. Armstrong**, chairman; **Mr D. E. Biggs**, managing director; **Mr R. G. Carter**, financial director; **Mr A. Munro, Mr E. E. Patrick** and **Mr B. R. Smith**, directors. The underwriters of the managed syndicates are **Mr Timothy K. Harding** No 34, **Mr Brian R. Smith** No 45 and 177, **Mr John H. Bristow** No 310 and 309, **Mr Steuart J. Mew** No 342, **Mr Norman F. Epps** No 454, **Mr John H. Whitcombe** No 456, **Mr Elvin E. Patrick** No 561 and 566, **Mr Clive W. Hankin** No 584, **Mr Martyn Callow** No 980 and **Mr Nigel D. Fenn** No 982.

★

We have been asked to point out that **Mr Peter Towle**, who has been appointed chairman of Securicor Granley Systems, is managing director of Security Services, and of Securicor Ltd.

Mr Alan Plumpton, deputy chairman of the Electricity Council, has taken on the additional duties of chairman of the *ELECTRICITY SUPPLY PENSION SCHEME*. He succeeds the late **Mr Oliver Brooks**.

★

Mr Timothy S. Lewis has succeeded ***Mr John G. Wallace*** as chairman of SECURITIES TRUST OF SCOTLAND. Mr Lewis was formerly a director of Scottish and Newcastle Breweries and joined the board of the trust in 1971.

★

Mr Derek Edwards has been appointed a non-executive director of BRIDON. Mr Edwards is chairman and chief executive of RTZ Pillar.

★

MASSTOR SYSTEMS INTERNATIONAL has appointed **Mr Nino Celone** as vice-president of international operations, responsible for all Masstor Systems' activities in Europe. He was vice-president for customer support.

★

Mr T. S. Howden will join the board of RANKS HOVIS McDOUGALL on September 1, while continuing as chairman of RHM subsidiary British Bakeries. **Mr M. Handley**, managing director of RHM Foods, will become managing director of British Bakeries. **Mr H. Mann**, sales and marketing director of British Bakeries, will become managing director of RHM *Foods*. ***Mr J. Kinloch***, deputy managing director of British Bakeries, will also assume board responsibility for marketing and **Mr K. Marsh** will join the British *Bakeries board as sales director*. **Mr J. J. Varney** will join the board of British Bakeries while retaining his responsibilities as south-east regional director.

★

Mr Keith Davie joined HANSON TRANSPORT as managing director on July 1. He has previously held a number of senior executice posts involving transport, distribution and warehousing for both Tate & Lyle and B.O.C. Transhield.

★

Mr M. B. Ludlow retires as managing director of DEVENISH REDRUTH BREWERY from September 28. He will remain as a director of J. A. Devenish and Devenish Redruth Brewery *in a non-executice capacity*. **Mr P. R. Smith** has been appointed managing director of Devenish Redruth Brewery from the same date.

★

Mr Ian Burnham has been appointed to the board of THOMAS SILVEY to succeed **Mr E. W. Henshall**, who retired recently.

★

Mr M. W. Beach and **Mr N. D. P. Wood** have been appointed directors of LESLIE AND GODWIN (ENERGY RESOURCES).

★

Prof Gordon S. G. Beveridge has been elected chairman of the CREMER AND WARNER GROUP.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

August 18-21
International Craft and Hobby Fair (04252 72711)
Wembley Conference Centre

August 25-28
Scottish Autumn Gift Fair (0784 1204) **Anderston Centre, Glasgow**

August 28-30
International Software Engineering Exhibition and Conference *(01-240 1871)*
Imperial College, London

August 29-September 1
International Home/Show Video and Television — VIDTEL (021-780 4171) ***NEC, Birmingham***

September 1-4
International Menswear Fair — MAB (0727 63213) **Earls Court**

September 1-5
Autumn Gifts Fair (01-855 9201)
Olympia

September 3-5
British Yarn Show (0274 724235)
Holiday Inn, Leicester

September 10-12
Hire Equipment Exhibition — HIRE EQUIP (01-688 7788)
Belle Vue, Manchester

September 10-13
Offshore Europe 85 conference and exhibition (01-549 5831)
Aberdeen

September 11-12
Incentive Travel Exhibition (01-688 7788) **Novotel, London**

OVERSEAS TRADE FAIRS

August 7-10
International Computer, Telecommunications and Office Automation Exhibition — INFOTECH THAI (04867 81084) **Bangkok**

August 16-18
International Men's Fashion Week and International Jeans Fair (01-930 7251) **Cologne**

August 20-23
Advertising and Marketing Exhibition — ADSERV (01-487 2983) **Johannesburg**

August 24-28
Frankfurt International Fair (01-734 0543) **Frankfurt**

August 25-30
International Heating, Ventilating and Air Conditioning Congress and Exhibition — CLIMA 2000 (Denmark 45 01 63 323000)
Copenhagen

August 26-29
World Congress and International Exhibition on Heating, Ventilation and Air-Conditioning (45-1-63 32 30) **Copenhagen**

August 27-29
Finnish Fashion Fair (01-486 1951) **Helsinki**

August 27-29
International Security Conference and Exhibition ISC/EAST (01-891 5051) **New York**

August 30-September 8
International Audio and Video Fair (01-749 3061) **Berlin**

September 1-7
International Autumn Fair (01-493 3111) **Leipzig**

September 6-9
International Fair—MACEF (01-242 7829) **Milan**

September 7-10
International Men's and Boys' Wear Trade Exhibition—SEHM (01-439 3964) **Paris**

September 12-15
International Sports Equipment Fair—ISPO (01-486 1951)
Munich

BUSINESS CONFERENCES

Current
Kluwer Conferences: Marketing Insurance (until July 31) *(01-568 6441)* **Cookham, Berks**

August 18-23
International congress of nutrition and exhibition (0273 695811)
Brighton

August 18-23
Dataquest: 1985 Financial services program technology directors conference (01-409 1427) **California**

September 2-3
The Plastics and Rubber Institute: Impact testing and performance of polymeric materials (01-245 9555)
University of Surrey, Guildford

September 2-4
Management Training Consultants: Successful managers in action (Leicester 27062)
Leicester

September 4-6
Frost and Sullivan: Integration of voice and data communications (01-486 0334) **Stockholm**

September 5-6
Reed Conferences: The Motor Ship's second international ship repair, spares and maintenance conference (01-643 8040)
Royal Garden Hotel, W8

September 9-10
Oyez IBC: 1985 European conference on solid modelling (01-236 4080) **Marriott Hotel, W1**

September 10
Tolley's: Acquisitions and mergers *(01-686 9141)*
London Press Centre

September 11-13
Cambridge Business Conferences: Business transactions with developing countries *(0233 354978)*
Peterhouse, Cambridge

September 11-13
Risk Research Group: Captive insurance companies *(01-236 2175)* **Gloucester Hotel, London**

September 12
IPE oil futures seminar: The practical applications of oil futures trading (01-481 2030)
City Conferences Centre, EC3
FT Conference: World motor conference (01-621 1355) (until September 13) **Frankfurt**

September 16-19
Labmat: International environment and safety conference (0727 51993) **Olympia**

September 20
The Economist: Entrapreneurship in Practice: creating and managing innovation in large corporations (01-839 7000)
The New Piccadilly Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

Closing prices, July 26

Indices

NEW YORK

DOW JONES

	July 26	July 25	July 24	July 23	July 22	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
●Industri'ls	1357.08	1353.61	1348.9	1351.81	1357.64	1359.54 (19/7)	1184.98 (4/1)	1359.54 (19/7/85)	41.22 (2/7/32)
H'me Bnds	79.87	79.32	79.38	79.72	79.72	80.65 (16/7)	72.27 (20/5)	—	—
Transport.	688.20	685.28	688.9	698.27	701.9	702.6 (17/7)	553.05 (4/1)	702.6 (17/7/85)	12.32 (8/7/32)
Utilities	157.42	158.49	157.83	159.26	164.65	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
TradingVol 000's	106,950	123,290	128,600	143,630	94,060	—	—	—	—

●Day's High 1365.59 (1359.88) low 1345.21 (1388.6)

Industrial div. yield %	July 19	July 12	July 5	year ago (approx)
	4.61	4.58	4.59	5.14

STANDARD AND POOR'S

	July 26	July 25	July 24	July 23	July 22	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Indust'ls	214.47	213.97	213.27	213.94	215.21	215.83 (18/7)	128.24 (4/1)	215.83 (18/7/85)	3.62 (30/6/32)
Comp'site	192.40	192.06	191.88	192.55	194.35	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	July 24	July 17	July 10	year ago (approx)
Industrial div. yield	3.66	3.62	3.69	3.84
Industrial P/E ratio	12.07	12.20	11.99	14.73
Long Gov. Bond yield	10.64	10.30	10.26	11.24

N.Y.S.E. ALL COMMON

July 26	July 25	July 24	July 23	1985 High	1985 Low
111.85	111.24	111.13	111.69	113.49 (17/7)	94.60 (4/1)

Rises and Falls

	July 26	July 25	July 24
Issues Traded	1,986	1,827	2,041
Rises	751	680	643
Falls	789	900	988
Unchanged	446	347	410
New Highs	—	—	—
New Lows	—	—	—

TORONTO	July 26	July 25	July 24	July 23	1985 High	1985 Low
Metals & Minerals	(u)	2078.78	2042.68	2050.19	2190.07 (15/2)	1839.3 (9/7)
Composite	2804.6	2788.4	2776.1	2777.9	2804.6 (26/7)	2348.5 (8/1)
MONTREAL Portfolio	138.99	138.13	137.82	137.56	139.33 (19/7)	117.00 (4/1)

	July 26	July 25	July 24	July 23	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	934.6	941.3	935.7	933.6	941.3 (25/7)	715.3 (7/1)
Metals & Minls. (1/1/80)	549.6	559.4	545.7	549.8	585.8 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	97.46	98.83	98.67	100.01	105.75 (17/6)	85.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2322.60	2376.44	2314.89	2313.61	2384.12 (5/6)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	—	214.89	213.64	211.35	214.89 (26/7)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	—	216.0	218.5	217.9	255.1 (31/5)	180.9 (8/1)
Ind Tendance (28/12/84)	123.40	123.2	124.9	124.7	130.4 (31/5)	100.1 (8/1)
GERMANY						
FAZ Aktien (31/12/58)	469.52	470.82	477.65	477.87	502.62 (5/7)	382.89 (3/1)
Commerzbank (1/12/53)	1,378.2	1384.1	1405.5	1405.8	1486.2 (5/7)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1688.85	1692.06	1665.63	1675.85	1692.06 (25/7)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	351.88	347.85	351.09	359.03	359.03 (23/7)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12648.09	12847.03	12777.03	12762.83	13040.1 (8/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1048.43	1044.8	1050.0	1042.1	1057.55 (10/7)	916.83 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	219.5	219.8	218.1	218.1	221.2 (5/7)	186.6 (3/1)
ANP-CBS Indust (1970)	185.6	185.7	186.4	185.9	186.8 (22/7)	147.8 (3/1)
NORWAY						
Oslo SE (4/1/83)	350.16	(u)	(u)	346.8	350.16 (26/7)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	778.44	771.76	774.73	778.68	852.55 (7/5)	717.95 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	845.9	888.4	928.0	1140.8 (15/4)	838.1 (11/2)
JSE Indust (28/9/78)	—	976.9	997.6	1010.8	1066.8 (16/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	110.70	(c)	110.21	109.34	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1358.54	1350.48	1355.0	1351.99	1498.98 (11/2)	1285.32 (8/7)
SWITZERLAND						
SwissBankCpn. (31/12/58)	467.0	467.0	466.5	461.8	469.1 (8/7)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	220.4	220.6	221.8	224.3 (17/7)	184.6 (4/1)

** Saturday July 20: Japan Nikkei-Dow 12,797.66.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Phillips Petrlm	2,691,400	13⅛	+ ⅛	Am Hsp Sup	1,048,900	45	− ¼
Uncal	1,540,500	31	+ ⅜	ATT	1,031,600	21⅞	+ ⅛
Merrill Lynch	1,444,200	34⅛	+1⅛	General Motors	1,013,700	70⅜	+2
IBM	1,420,500	132	+1⅜	Mid-So Utl	996,200	14⅜	− ⅛
Fin Cp Am	1,417,900	7⅝	+ ⅛	Baxter Lab	942,100	14¾	− ⅛

OVER-THE-COUNTER

Nasdaq national market, closing prices July 26

Continued from Page 31

Stock	Sales (Hnds)	High	Low	Last	Chng
NrskBs	397	42⅞	42⅝	42¾	+ ⅛
Norstan	58	7½	7⅜	7⅜	− ⅛
NAtlin	3	7⅜	7⅜	7⅜	− ⅛
[illegible]					
QuestM	1278	4¼	4	4¼	+ ⅛
Quixote	69	12½	12	12½	+ ½
Quotrn	977	11⅝	11⅛	11½	+ ¼
[illegible]					
Simpln .80	147	15¾	15⅜	15¾	+ ½
Sippins	12	13	12¾	13	
Sizzlers	55	17¾	17⅜	17⅜	
Skipper .06	60	9⅜	9¼	9¼	+ ¼
SmithL	755	3 1-16	2⅞	2 15-16	+1-16
[illegible]					
Ungmn	828	16	15½	15¾	− ¼
Unifi	226	10½	10¼	10⅜	+ ⅛
UnPlntr 1.08t	426	27¾	27¼	27¼	− ⅛
UnTrBc 2.40	152	100½	99	100	+1
UACms .06	x981	23¾	22¾	23	− ¾
[illegible]					

CANADA

TORONTO

Closing prices July 26

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL

Closing prices July 26

Sales	Stock	High	Low	Close	Chng
[illegible]					

AUSTRIA

1985 High	1985 Low	July 26	Price Sch %
391	225	Credit'stalt Pfd.	344
555	330	Goesser	510
1,950	400	Interunfall	1,500
383	222	Laenderbank	338
670	336	Perimooser	576
220	155	Steyer-Daimler	182
620	245	Veitscher Mag	541

BELGIUM/LUXEMBOURG

1985 High	1985 Low	July 26	Price Frs.
2,030	1,750	B.B.L.	2,025
6,500	5,750	Banq. Gen Lux	6,300
6,200	5,450	Banq. Int. A. Lux	6,020
6,220	4,380	Bekaert B.	5,690
2,710	2,260	Ciment CBR	2,295
287	204	Cockerill	204
9,500	5,530	Delhaize.	8,750
3,140	2,770	EBES	2,915
8,870	8,000	Electrobel.	8,600
2,220	1,855	Fabrique Nat.	1,970
3,850	2,855	GB Inno BM.	3,660
2,205	1,835	GBL (Brux)	1,855
4,330	3,575	Gevaert	4,000
6,190	5,320	Hoboken	5,470
2,350	2,025	Intercom	2,285
9,150	7,620	Kredietbank.	8,900
11,900	9,700	Pan Hldgs	10,300
7,250	5,560	Petrofina	5,770
12,300	10,050	Royale Belge	12,250
3,500	3,050	Soc. Gen. Banq.	3,350
2,090	1,615	Soc. Gen. Belge.	1,800
8,010	6,770	Sofina	7,210
4,670	3,625	Solvay	4,490
1,658	1,400	Stanwick Intl.	1,400
4,360	3,710	Tractionel	3,710
5,550	4,500	UCB	5,020
3,715	2,005	Wagon Lits	3,015

DENMARK

1985 High	1985 Low	July 26	Price Knr. %
342	257	Andelsbanken	340
700	520	Baltic Skand	700
338	259	CopHandelsbank	335
575	460	D. Sukkerfab	505
365	260	Danske Bank	363
1,295	1,055	De Danske Luft.	1,290
245	129	East Asiatic.	241
1,000	770	Forenede Brygg.	915
166	88	Forenede Damp.	166
443	352	GNT Hldg	437
530	340	I.S.S.B.	485
790	464	Jyske Bank	775
1,895	1,515	Novo Inds.	1,785
337	223	Privatbanken	333
386	280	Provinsbanken	385
290	217	Smidth (F.L.) B.	290
1,160	880	Sophus Berend.	1,145
497	395	Superfos	481

FRANCE

1985 High	1985 Low	July 26	Price Frs.
1,775	1,570	Emprunt 4½% 1973	1,605
8,829.9	7,365	Emprunt 7% 1973	8,240
300	235.2	Accor	264.8
720	546	Air Liquide	610
605	498	BIC	511
2,070	1,601	Bongrain	1,825
860	602	Bouygues	789
2,620	2,240	BSN Gervais	2,258
1,370	1,190	CIT Alcatel	1,205
2,540	1,790	Carrefour	2,130
635	503	Club Mediter	514
678	470.8	Cie Bancaire	616
303	239.5	Cofimeg	293
2,448	1,835	Damart	1,845
1,575	1,028	Darty	1,410
795	580	Dumez S.A.	778
750	529	Eaux (Cie Gen)	646
250	184.1	Elf-Aquitaine	185
3,130	2,100	Essilor	2,100
792	645	Gen.Occidentale	707
134	72.6	Imetal	94
583	361	Lafarge-Coppee.	540
2,725	2,221	L'Oreal	2,340
2,395	1,850	Legrand	2,235
265.8	185	Maisons Phenix.	198
1,980	1,565	Matra S.A.	1,668
1,232	735	Michelin B	1,120
2,924	2,078	Midi (Cie)	2,810
2,040	1,815	Moet-Hennessy	1,845
115.5	83	Moulinex	85.4
98.7	72.2	Nord Est.	93.1
[illegible]			

GERMANY

1985 High	1985 Low	July 26	Price Dm
[illegible]			

SWITZERLAND

1985 High	1985 Low	July 26	Price Frs.
[illegible]			

AUSTRALIA

1985 High	1985 Low	July 26	Price Aust. $
5.93	4.33	ANZ Group	5.3
1.15	1.05	Alliance Oil Dev.	1.05
2.11	1.75	Ampol Pet	1.9
1.22	0.75	Ashton	1.21
2.82	1.88	Aust. Cons. Ind	2.78
3.4	2.3	Aust. Guarantee.	2.75
3.0	2.28	Aust. Nat. Inds.	2.72
2.95	2.4	APM	2.9
8.1	4.7	Bell Group	8.0
7.5	4.25	Bell Res	7.3
1.6	1.16	Bond Corp Hldgs	1.5
3.65	3.16	Boral	3.6
2.49	1.51	Bougainville.	2.15
4.05	3.45	Brambles Ind	3.9
2.65	2.05	Bridge Oil.	2.53
7.64	4.34	B. H. Prop.	6.62
6.4	4.28	CRA	6.22
3.81	2.64	CSR	3.12
7.66	4.28	Castlemaine Tys	7.6
4.18	3.60	Coles (C.J.)	3.9
2.88	1.85	Comalco "A"	2.12
0.45	0.28	Consolidated Pet	0.29
1.8	1.25	Costain Aust	1.78
2.70	1.86	Dunlop Olympic.	2.63
3.53	2.85	Elders IXL	3.14
1.80	1.30	Energy Res.	1.68
2.82	2.09	Gen. Prop. Trust	2.22
3.45	2.9	Hardie (James)	3.1
2.6	1.59	Hartogen Energy	2.25xc
4.90	3.4	Herald W'yTimes	4.9
2.22	1.84	ICI Aust	2.06
0.39	0.22	Jimberlana F.P.	0.24
0.19	0.1	Kiaora Gold	0.13
7.34	5.1	Lend Lease.	7.06
3.45	2.23	MIM	2.83
3.36	2.82	Mayne Nickless.	3.2
3.14	1.65	Myer Emporium.	3.14
4.79	3.40	Nat. Aust. Bank.	4.78
8.7	5.25	News	6.7
2.1	1.29	Nicholas Kiwi.	2.05
2.82	1.90	North Bkn Hill.	2.28
1.15	0.65	Oakbridge.	1.15
2.02	0.90	Pancontinental	1.94
2.03	1.56	Pioneer Conc	1.94
4.65	2.55	Poseidon	4.05
1.78	1.07	Queensland Coal	1.73
3.85	3.0	Reckitt & Colman	3.85
1.44	1.08	Repco.	1.3
6.65	5.04	Santos.	5.62
5.10	3.35	Smith (Howard)	4.95
2.9	1.71	Thos. Natwide.	2.19
6.1	5.8	Tooth	6.0
4.6	3.05	Vamgas.	3.92
4.44	2.62	Western Mining.	4.2
4.9	3.35	Westpac Bank.	4.88
1.61	0.77	Woodside Petrol	1.29
3.48	2.55	Woolworths.	3.36
[illegible]	[illegible]	Wormald Intl.	3.95

ITALY

1985 High	1985 Low	July 26	Price Lire
[illegible]			

NETHERLANDS

1985 High	1985 Low	July 26	Price Fls
[illegible]			

SINGAPORE

1985 High	1985 Low	July 26	Price $
[illegible]			

SOUTH AFRICA

1985 High	1985 Low	July 26	Price Rand
[illegible]			

NORWAY

1985 High	1985 Low	July 26	Price Kroner
[illegible]			

SWEDEN

1985 High	1985 Low	July 26	Price Kroner
[illegible]			

SPAIN

1985 High	1985 Low	July 26	Price Pta %
[illegible]			

JAPAN

1985 High	1985 Low	July 26	Price Yen
1,570	1,040	Ajinomoto	1,140
2,097	1,270	Alps Electric	1,500
1,154	758	Amada	758
1,100	621	Asahi Chem.	841
928	819	Asahi Glass.	844
576	500	Bridgestone.	567
1,480	880	Canon.	880
2,060	1,350	Casio Comp.	1,353
1,250	910	Chugai Pharm.	930
596	392	Citizen	392
754	605	Daiei	695
1,190	925	Dai Nippon Ptg	1,060
800	532	Daiwa House	800
494	329	Ebara	446
2,002	1,183	Eisai	1,270
9,300	7,060	Fanuc.	7,070
1,840	1,290	Fuji Bank	1,750
2,040	1,550	Fuji Film	1,820
1,320	830	Fujisawa	840
1,260	872	Fujitsu	872
3,540	1,600	Green Cross.	2,180
493	352	Hasegawa.	480
975	577	Heiwa Real Est.	838
893	685	Hitachi	696
1,310	1,050	Hitachi Credit.	1,120
1,550	1,210	Honda.	1,420
793	680	House Food.	760
2,460	1,520	Hoya	1,520
468	323	Itoh (C)	443
2,810	2,270	Ito Yokado	2,810
1,480	785	Iwatsu.	791
370	315	JACCS.	352
8,060	4,860	JAL	7,660
880	660	Jusco.	861
445	269	Kajima.	445
852	724	Kao Soap.	834
763	586	Kashiyama	760
745	548	Kirin.	668
1,120	870	Kokuyo	950
640	433	Komatsu	528
748	601	Konishiroku.	644
360	318	Kubota	345
838	510	Kumagai	833
7,100	3,550	Kyocera.	3,550
880	455	Maeda Const	880
1,460	840	Makino Milling	840
1,280	900	Makita	920
598	300	Marubeni.	398
684	540	Marudai.	640
1,400	952	Marui.	1,400
1,690	1,250	MEI.	1,280
820	625	M'ta Elec. Works	760
1,790	1,320	M'bishi Bank	1,770
709	512	M'bishi Corp	665
410	359	M'bishi Elect	359
960	639	M'bishi Estate	933
343	234	MHI.	343
442	324	Mitsui Co	424
890	592	Mitsui Estate	875
672	365	Mitsukoshi	640
936	680	NGK Insulators	680
375	210	Nihon Cement.	338
1,480	1,240	Nippon Denso.	1,350
1,250	909	Nippon Elect	909
535	322	Nippon Express.	535
2,400	1,040	Nippon Gakki.	1,150
153	130	Nippon Kokan.	153
999	774	Nippon Oil.	879
693	460	Nippon Seiko.	460
698	520	Nippon Shimpan	694
173	143	Nippon Steel	173
389	325	Nippon Suisan	376
12,900	9,360	NTV.	10,000
532	226	Nippon Yusen.	532
665	602	Nissan Motor	642
548	452	Nisshin Flour	475
184	156	Nisshin Steel	175
1,390	885	Nomura.	1,320
1,430	926	Olympus.	926
3,540	2,690	Orient Leasing	2,700
3,270	1,680	Pioneer.	1,720
760	602	Renown.	760
977	797	Ricoh	797
[illegible]			

HONG KONG

1985 High	1985 Low	July 26	Price H.K.$
[illegible]			
13.5	7.9	SHK Props.	13.1
2.05	1.09	Shell Elect	1.09
26.3	20.3	Swire Pac A	25
8.1	5.1	TVB	8.05
2.7	1.65	World Int. H'ldgs	2.3

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

U.S. QUARTERLY RESULTS

[illegible]

Closing prices, July 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.56	2.6	14	35	21¾	21½	21½	−⅛
17⅜	9⅝	AGS			13	126	16	15½	15⅞	−¼
16½	9⅝	AMCA				80	13⅛	12½	13⅛	+¾
21½	13	AMF	.50	3.7	41	686	13½	13⅜	13⅜	
13⅝	12⅞	AMF wd				165	13½	13⅜	13½	
50¾	24¼	AMR			8	3360	46¾	45⅞	46⅜	+⅛
22⅞	18⅝	AMR pf2.18		9.6		4	22⅝	22⅝	22⅝	
14¼	7⅝	APL				71	9⅝	9½	9⅝	
61⅛	44⅜	ASA		24	2	787	47⅞	46¼	47⅛	−⅛
27	12½	AVX	.32	2.3	20	154	14⅛	13⅝	13⅞	−⅛
28⅛	16	AZP	2.72	11.	7	1875	25⅜	25	25	−¼
60	36¾	AbtLab 1.40		2.5	15	3659	56⅞	55	55⅜	−1¼
25⅞	19	AccoWd .50		2.3	16	75	21½	21⅛	21½	+⅛
24¾	12½	AcmeC .40		2.5		170	16¾	16¼	16¼	+¼
10½	7⅜	AcmeE .32b		4.1	10	4	7⅞	7⅞	7⅞	
19	15	AdaEx 1.92e		11.		51	18⅜	18⅛	18¼	−⅛
20	11⅞	AdmMl .32		1.8	7	32	17½	17¼	17⅜	
19½	8⅝	AdvSys .53t		4.3	19	70	12¼	12	12¼	+¼
41⅛	22⅛	AMD			18	4430	30⅛	29½	29⅞	+⅛
12¾	6⅞	Advest .12		1.2	22	59	9¾	9⅝	9¾	
15⅞	9	Aerflex			13	54	14¾	14½	14½	−⅜
49⅝	27¼	AetnLf 2.64		5.6	34	2797	47¼	46⅛	47	+1
57⅜	52⅜	AetL pf5.79e		10.		202	56	55⅞	56	−¾
37⅜	18¾	Ahmns 1.20		4.1	8	4180	29⅞	29	29⅜	−⅝
3⅜	2½	Aileen				36	2⅞	2¾	2¾	
57	39⅛	AirPrd 1.20		2.1	13	1528	57	55⅞	56⅝	+¾
[illegible]										

Continued on Page 31

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
55⅞	44⅝	Penney	2.36	4.7	9	1031	50	49⅝	49¾	−⅛
27⅞	21¼	PaPL	2.56	9.9	8	1001	25⅞	25⅝	25¾	−⅛
40¾	30½	PaPL	pf4.40	12.		z50	38	38	38	
40½	31	PaPL	pf4.50	12.		z120	39	39	39	
78¼	57¾	PaPL	pf8.60	12.		z30	71¾	71¾	71¾	−1¼
29½	23½	PaPL	dpr3.42	12.		54	28⅞	28½	28⅝	−⅜
27½	20⅝	PaPL	dpr2.90	11.		4	26⅛	25⅝	26⅛	
28½	22⅝	PaPL	dpr3.25	12.		14	28	27¾	28	+⅛
31¼	25¼	PaPL	dpr3.75	12.		22	31⅛	30⅞	30⅞	
107	94½	PaPL	pr 13	12.		z100	104¼	104¼	104¼	−1¾
70⅝	55	PaPL	pr 8	12.		z40	65½	65½	65½	−1½
73¼	59	PaPL	pr8.70	12.		z200	u74	74	74	+2
41¼	31½	Penwlt	2.20	5.3	13	68	u41½	41	41⅛	+⅛
25⅝	20	Penw	pf1.60	6.4		9	25⅛	25	25⅛	+⅛
58⅝	32¼	Pennzoil	2.20	3.9	24	2173	u57¼	56⅛	57⅛	+1¼
18⅞	9¾	PeopEn	.20	7.3	7	203	16¾	16⅜	16½	−⅜
24⅝	13⅝	PepBy s			19	88	23⅛	23⅛	23⅛	+⅛
60½	39⅞	PepsiCo	1.78	3.2	10	2930	57½	56¾	56½	−1
30⅛	17⅞	PerkEl	.56	2.0	14	1376	28¾	28⅜	28⅜	−⅛
9¾	7⅝	Prmian	1.17e	15.	6	248	8⅛	8	8	
22⅛	14	PeryDr	.28	1.3	16	237	21⅜	21⅛	21⅛	−¼
44	31	Petrie	1.40	3.6	15	38	38½	38⅜	38½	
28⅝	24⅝	PetRs	3.72e	14.		34	26⅞	26½	26⅞	+⅛
17	14	PetRs	pf1.57	9.6		24	16½	16¼	16⅜	−⅛
6½	2¼	Ptrlnv	.96e	28.		16	3⅜	3¼	3⅜	
53¾	29⅝	Pfizer	1.48	3.0	15	x1765	50¼	49½	49⅝	
23⅝	12⅞	PhelpD				1508	u24	23⅛	24	+⅞
55	34	Phelp	pr 5	9.2		67	54½	53¼	54½	+1¼
46¾	20¾	PhibrS	.54	1.3	23	4531	43¼	42⅝	42⅞	−½
16⅝	10½	PhilaEl	2.20	14.	6	2762	16	15¾	15⅞	−⅛
31	22	PhilE	pf3.80	13.		z100	30	30	30	+1
[illegible]										
36⅝	27¼	Robshw	1.12	3.2	8	88	34¾	34¼	34¾	+½
44½	26	Robtsn	1.60	5.6	17	113	29	28½	28⅝	−⅝
24⅝	12	Robins				8066	10⅝	d10	10⅛	−2¾
24⅞	14	RochG	2.20	9.8	6	308	22⅝	22⅜	22½	−¼
42⅛	27⅝	RochTl	2.44	6.4	10	60	38⅛	37⅞	38⅛	−⅛
41½	27½	Rockwl	1.12	2.7	10	1353	41⅜	40⅞	41	−½
71½	46⅞	RohmH	2.20	3.1	12	71	70¾	70¼	70¾	+¼
62⅝	34⅝	Rohrin			11	681	62¼	61⅛	61⅛	−1¼
27¼	12½	RolnCm	.40	1.5	33	43	27¼	26¾	27¼	+⅛
35⅝	8⅝	RolinE	s.07e	.2	32	471	35	33⅝	33⅞	−⅜
12⅝	6⅞	Rollins	.46	3.9	17	140	12	11⅝	11⅞	+⅛
4½	2	Ronson				27	2⅛	2⅛	2⅛	
19	12⅞	Roper	.64	4.4	17	26	15	14⅝	14⅝	−⅛
37⅜	24	Rorer	1.12	3.2	17	722	35¾	35	35½	
13	7⅝	Rowan	.12	1.3	54	2272	9⅜	8⅞	9⅛	+⅛
61⅝	41¼	RoylD	3.07e	5.0		1769	u62⅞	61¼	62	+⅝
17	9	Roylnt s			18	44	14	13½	14	+¾
55¾	35⅞	Rubrmd	.96	1.8	18	239	53¾	53½	53½	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, July 26

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices, July 26

[illegible]

Continued on Page 29

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Good volumes registered despite moderate cash movement.

Est volume Calls	Puts	Previous day's open interest Calls	Puts
689	453	8462	4894

Eurodollar Future—points of 100%. Quiet trading in underlying future led to a reduced options value.

Est volume Calls	Puts	Previous day's open interest Calls	Puts
0	79	590	512

For full details of settlement prices call: Louise Powell of LIFFE on 01-623 0444. LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	91.73	91.82	91.70	91.71
Dec	91.29	91.38	91.28	91.29
March	90.86	90.96	90.85	90.86
June	90.48	90.52	90.52	90.46
Sept	90.11	—	—	90.11

Estimated volume 3,720 (5,004)
Previous day's open int 19,058 (19,056)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	88.88	88.87	88.68	88.70
Dec	89.55	89.56	89.38	89.40
March	89.75	89.73	89.61	89.56
June	89.75	89.73	89.60	89.60

Estimated volume 2,497 (1,575)
Previous day's open int 7,031 (7,031)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	113-04	113-05	112-13	112-12
Dec	113-09	—	—	112-17
March	113-22	—	—	112-30

Estimated volume 2,243 (1,357)
Previous day's open int (3,762) (3,762)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −25 to −15 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3985	1.4005	1.3955	1.3994
Dec	1.3885	—	—	1.3885
March	1.3820	—	—	1.3820

Estimated volume 56 (921)
Previous day's open int 167 (167)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3488	0.3493	0.3486	0.3499
Dec	0.3519	—	—	0.3530

Estimated volume 10 (426)
Previous day's open int 268 (268)

SWISS FRANCS SwFr125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4258	0.425	0.4253	0.4269

Estimated volume 4 (7)
Previous day's open int 181 (181)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4184	0.4185	0.4180	0.4187

Estimated volume 6 (304)
Previous day's open int 167 (167)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	123.90	124.00	122.10	122.75
Dec	124.70	—	—	123.55

Estimated volume 598 (457)
Previous day's open int 1,648 (1,648)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	75-02	75-19	74-26	75-11
Dec	74-02	74-11	73-31	74-09
March	73-02	—	—	73-09

Estimated volume 1,912 (2,169)
Previous day's open int 2,546 (2,546)

CHICAGO

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	92.75	92.80	92.70	92.80
Dec	92.39	92.46	92.36	92.48
March	92.01	92.10	92.01	92.12
June	91.65	91.72	91.65	91.78
Sept	91.32	91.43	91.32	91.47
Dec	91.05	91.18	91.05	91.20
March	90.80	—	90.80	90.95
June	90.57	—	90.57	90.72

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	75-02	75-11	74-25	75-13
Dec	74-00	74-10	73-24	74-11
March	73-01	73-09	72-24	73-12
June	72-05	72-11	72-02	72-16
Sept	72-12	71-17	71-08	71-23
Dec	70-21	70-26	70-11	71-00
March	70-00	70-06	69-29	70-12
June	69-13	69-19	69-11	69-28
Sept	—	—	—	—
Dec	68-10	—	—	68-25
March	67-27	68-00	67-27	68-10

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Sep	92.03	92.08	92.00	92.12
Dec	91.57	91.63	91.56	91.69
Mar	91.10	91.18	91.11	91.24
June	90.70	0	0	90.84

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Sep	91.71	91.77	91.69	91.79
Dec	91.23	91.33	91.22	91.36
Mar	90.78	90.89	90.76	90.92
June	90.37	90.49	90.34	90.52
Sep	90.00	90.12	89.98	90.16
Dec	89.66	89.75	89.64	89.83
Mar	89.34	89.42	89.35	89.52
June	89.04	89.12	89.07	89.23

STERLING (IMM) $s per £

	Close	High	Low	Prev
Sept	1.4125	1.4140	1.3945	1.4020
Dec	1.4035	1.4060	1.3800	1.3925
March	1.3975	1.4000	1.3780	1.3860
June	1.3925	1.4000	1.3740	1.3790

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	74-24	74-25	74-17	74-23
Dec	73-13	74-01	73-27	74-04
March	—	—	—	—
June	72-25	—	—	72-30
Sept	72-06	—	—	72-11

WEEKLY CHANGE IN WORLD INTEREST RATES

	July 26	change		July 26	change
LONDON			**NEW YORK**		
Base rates	12	Unch'd	Prime rates	9½	Unch'd
7 day interbank	12⅛	−1/16	Federal funds	7⅜	+¼
3mth interbank	11 11/16	−1/16	3 Mth. Treasury Bills	7.18	+0.05
Treasury Bill Tender	10.9861	−0.1446	6 Mth. Treasury Bills	7.34	+0.04
Band 1 Bills	11⅝	−½	3 Mth. C D	7.70	+0.05
Band 2 Bills	11 [illegible]	−½			
Band 3 Bills	11¼	−½	**FRANKFURT**		
Band 4 Bills	11 [illegible]	−½	Lombard	6.0	Unch'd
3 Mth. Treasury Bills	10 [illegible]	[illegible]	One Mth. Interbank	5.125	−0.125
1 Mth. Bank Bills	11 [illegible]	[illegible]	Three month	5.125	−0.200
3 Mth. Bank Bills	11 [illegible]	[illegible]			
			PARIS		
TOKYO			Intervention Rate	9⅝	Unch'd
One month Bills	6.34375	Unch'd	One Mth. Interbank	9 [illegible]	−1/16
Three month Bills	6.28125	−0.0625	Three month	9 [illegible]	Unch'd
BRUSSELS			**MILAN**		
One month	8¾	+1/16	One month	14 [illegible]	+½
Three month	8⅞	+⅛	Three month	14 [illegible]	−⅛
AMSTERDAM			**DUBLIN**		
One month	6 [illegible]	[illegible]	One month	11⅝	—
Three month	6¼	[illegible]	Three month	11	—

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FOREIGN EXCHANGES

Pound still looks attractive

BY COLIN MILLHAM

Sterling looks a very attractive currency at the moment, which is an indication of how quickly things can change on the foreign exchanges. About six months ago it was rushing towards parity with the dollar, and now appears to be heading towards $1.50 unless the Bank of England adopts a much less cautious approach to interest rates.

The yen and Swiss franc are obvious alternatives to the pound, but do not offer nearly as high a return, or the attraction of London's very diverse and open financial markets. Germany's economy is performing well, showing a trade surplus of DM 5.5bn in June and DM 7.5bn in May, but interest rates in Frankfurt have fallen recently, possibly to prevent the D-mark from moving up too sharply against the dollar, and also to ease potential strains in the European Monetary System.

Rumours surround the French and Belgian francs after the devaluation of the Italian lira and on Friday the French franc weakened sharply in the forward market as Eurofranc rates were pushed up to defend the currency. The Spanish peseta, although not a member of the EMS, is considered another strong candidate for devaluation, and other currencies of countries in the Mediterranean area could follow.

The dollar is another currency out of favour at the moment, and although the problems involving Continental currencies lent some support to the dollar last week, it does not bode well for the future that the U.S. currency was unable to break above the resistance point of DM 2.8850 last week.

STERLING INDEX

	July 26	Previous
8.30 am	84.3	84.4
9.00 am	84.4	84.3
10.00 am	84.4	84.2
11.00 am	84.4	84.3
Noon	84.4	84.3
1.00 pm	84.1	84.3
2.00 pm	84.3	84.3
3.00 pm	84.2	84.0
4.00 pm	84.3	84.1

£ IN NEW YORK

	July 26	Prev. close
£ Spot	$1.4215-1.4225	$1.4090-1.4100
1 month	0.49-0.47 pm	0.53-0.52 pm
3 months	1.18-1.16pm	1.26-1.23 pm
12 months	2.85-2.75pm	3.25-3.15 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

July 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4000-1.4095	1.4080-1.4090	0.50-0.46c pm	4.09	1.21-1.16pm	3.36
Canada	1.8976-1.9033	1.9023-1.9033	0.51-0.41c pm	2.90	1.19-1.05pm	2.35
Nethlnd.	4.53¼-4.56	4.53½-4.54½	2½-2¼c pm	6.27	6½-6⅛pm	5.61
Belgium	81.37-81.79	81.30-81.79	28-22c pm	3.68	65-54pm	2.92
Denmark	14.53-14.55	14.53-14.55	4½-3½ore pm	3.19	9½-7⅞pm	2.33
Ireland	1.2862-1.2928	1.2887-1.2897	0.26-0.16c pm	1.95	0.88-0.50pm	1.76
W. Ger.	4.03-4.06	4.02¾-4.03¾	2¾-2½pf pm	7.44	7½-6¾pm	6.94
Portugal	237.19-242.75	238.75-242.75	150-400c dis	−13.80	450-1200dis	−13.80
Spain	233.25-242.26	233.25-235.25	75-155c dis	−5.90	305-420dis	−6.20
Italy	2,690½-2,713¼	2,695¾-2,705¾	3pm-2 lire dis	2.22	3-12dis	−1.11
Norway	11.70-11.78¼	11.75-11.76	⅞-⅛ore pm	0.37	¾-1¼dis	−0.34
France	12.25-12.34	12.27-12.28	2½-1¾c pm	1.95	4¾-2¼pm	1.08
Sweden	11.76¾-11.86¾	11.81-11.82	3-3¾ore dis	−3.42	9⅞-9¾dis	−3.31
Japan	336-337½	336½-337½	1½-1¼y pm	0.06	4¾-4¼pm	0.06
Austria	28.37-28.48	28.43-28.48	16-14½gro pm	6.52	41½-38½pm	5.53
Switz.	3.28-3.31¼	3.28¼-3.29¼	2½-1⅞c pm	7.29	6¾-5¾pm	6.68

Belgian rate is for convertible francs. Financial franc 82.39-82.53. Six-month forward dollar 1.95-1.85c pm, 12-month 2.90-2.75c pm.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4086	1.4037	1.3966	1.3896	1.3803
D-Mark	4.0275	4.0032	3.9607	3.9075	3.8100
French Franc	12.2750	12.4250	12.3750	12.2250	12.20
Swiss Franc	3.2875	3.2687	3.2360	3.1927	3.1131
Japanese Yen	338.75	335.1	332.4	328.56	322.58

BANK OF ENGLAND TREASURY BILL TENDER

	July 26	July 12		July 26	July 19
Bills on offer	£100m	£100m	Top Accepted rate of discount	10.9901	11.1705%
Total of applications	£400.52m	£456.785m	Average rate of discount	10.9861	11.1326%
Total allocated	£100m	£100m	Average yield	11.08%	11.45%
Minimum accepted bid	£97.26	£97.215	Amount on offer at next tender	£100m	£100m
Allotment at min level	37%	49%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	0.50-0.46c pm	4.09	1.21-1.16pm	3.36
Ireland†	[illegible]	[illegible]	0.22-0.17c pm	2.16	0.47-0.37pm	1.55
Canada	[illegible]	[illegible]	0.12-0.15c dis	−1.20	0.32-0.37dis	−1.02
Nethlnd.	[illegible]	[illegible]	0.48-0.45c pm	1.74	1.57-1.53pm	1.82
Belgium	[illegible]	[illegible]	2¾-3¼c dis	−0.57	7-10dis	−0.59
Denmark	[illegible]	[illegible]	½-1ore dis	−0.87	2-2½dis	−0.87
W. Ger.	[illegible]	[illegible]	0.77-0.72pf pm	3.11	2.31-2.26pm	3.18
Portugal	[illegible]	[illegible]	100-350c dis	−15.91	450-1200dis	−19.46
Spain	[illegible]	167.00	—		—	
Italy	[illegible]	[illegible]	7-8 lire dis	−9.74	23-25dis	−10.39
Norway	[illegible]	[illegible]	2½-3ore dis	−3.73	8½-9dis	−3.38
France	[illegible]	[illegible]	3.25-4.00c dis	−4.97	8.50-9.50dis	−4.11
Sweden	[illegible]	[illegible]	5½-6ore dis	−8.22	14½-15dis	−7.03
Japan	[illegible]	[illegible]	0.38-0.32y pm	1.70	1.11-1.06pm	1.81
Austria	[illegible]	[illegible]	3½-3gro pm	1.93	10½-8½pm	1.90
Switz.	[illegible]	[illegible]	0.58-0.52c pm	2.81	1.74-1.68pm	2.82

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.50-58.60.

OTHER CURRENCIES

July 26	£	$		£ Note Rates
Argentina Austl.	1.1123-1.1239	0.8000-0.8010	Austria	28.30-28.60
Australia Dollar	1.9850-1.9870	1.4118-1.4138	Belgium	82.00-83.00
Brazil Cruzeiro	8,922.40-8,95.18	6,360-6,380	Denmark	14.46-14.61
Finland Markka	8.4290-8.4591	6.0180-6.0200	France	12.27-12.39
Greek Drachma	184.03-188.07	131.03-133.77	Germany	4.03-4.07
HongKong Dollar	10.8650-10.8850	7.7540-7.7570	Italy	2670-2720
Iran Rial	128.00*	90.25*	Japan	337-341
Kuwait Dinar (KD)	0.4224-0.4228	0.30108-0.30116	Netherlands	4.54-4.59
Luxembourg Fr	82.39-82.53	58.50-58.60	Norway	11.71-11.83
Malaysia Dollar	3.4550-3.4650	2.4650-2.4670	Portugal	230-246
New Zealand Dlr.	2.7225-2.7300	1.9372-1.9409	Spain	227-237
Saudi Arab Riyal	5.1217-5.1261	3.6506-3.6511	Sweden	11.78-11.90
Singapore Dollar	3.0950-3.1050	2.2085-2.2105	Switzerland	3.29-3.32
Sth African Rand	2.8333-2.8653	2.0285-2.0491	United States	1.39-1.41
U.A.E. Dirham	5.1516-5.1568	3.6720-3.6730	Yugoslavia	385-405

* Selling rate.

CURRENCY MOVEMENTS

July 26	Bank of England Index	Morgan Guaranty Change %
Sterling	84.3	−5.6
U.S. dollar	138.7	+24.7
Canadian dollar	[illegible]	−6.7
Austrian schilling	[illegible]	−4.1
Belgian franc	[illegible]	−10.9
Danish Kroner	[illegible]	−5.2
Deutsche mark	[illegible]	+7.6
Swiss franc	[illegible]	+12.0
Guilder	[illegible]	+3.8
French franc	[illegible]	−14.2
Lira	[illegible]	−20.4
Yen	[illegible]	+13.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.729238	0.555391
U.S. $	7½	1.02619	0.780505
Canadian $	9.45	*	1.06553
Austria Sch.	4½	20.7272	15.7916
Belgian Fr.	9½	59.5190	45.7900
Danish Kr.	7	10.6964	8.06951
D mark	4½	2.95461	2.24580
Guilder	5½	3.32196	2.52645
French Fr.	9½	8.98789	6.83396
Lira	15½	1971.83	1490.54
Yen	5	245.362	186.965
Norway Kr.	8	8.57177	6.52196
Span'h Pta.	—	171.671	130.829
Swedish Kr.	10½	8.68206	6.56515
Swiss Fr.	4	2.40949	1.83266
Greek Dr'ch	20½	135.896	103.618
Irish Punt	13¾	N/A	0.716906

* C$/SDR rate for July 24 1.38914.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.2985	+1.03	+1.01	NA
Danish Krone	8.12857	8.06951	−0.73	−0.75	NA
German D-mark	2.23840	2.24580	+0.33	+0.31	NA
French Franc	6.86402	6.83396	−0.44	−0.46	NA
Dutch Guilder	2.52208	[illegible]	+0.17	+0.15	NA
Irish Punt	0.725876	[illegible]	[illegible]	[illegible]	NA
Italian Lira	1520.60	1489.54	−1.40	−1.40	NA

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 26	Pound Stirling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.409	4.028	336.8	12.28	3.288	4.540	2693.	1.905	81.35
U.S. Dollar	0.710	1.	2.864	239.2	8.700	2.334	3.238	1920.	1.361	58.06
Deutschemark	0.248	0.350	1.	83.61	3.048	0.816	1.127	668.7	0.473	20.20
Japanese Yen 1,000	2.970	4.183	11.96	1000.	36.45	9.763	13.48	7997.	5.660	241.6
French Franc 10	0.815	1.147	3.281	274.3	10.	2.678	3.699	2194.	1.550	66.28
Swiss Franc	0.304	0.428	1.225	102.4	3.734	1.	1.381	819.2	0.579	24.76
Dutch Guilder	0.220	0.310	0.887	74.17	2.704	0.724	1.	593.3	0.419	17.92
Italian Lira 1000	0.371	0.523	1.496	125.0	4.558	1.221	1.686	1000.	0.707	30.21
Canadian Dollar	0.526	0.740	2.117	177.0	6.451	1.728	2.386	1415.	1.	42.76
Belgian Franc 100	1.229	1.731	4.951	414.0	15.09	4.041	5.581	3310.	2.339	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 26	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 7⅝-7¾ per cent; seven days 7¾-7⅞ per cent; one month 7⅞-8 per cent; three months 8 1/16-8 3/16 per cent; six months 8¼-8⅜ per cent; one year 8⅝-8¾ per cent. Long-term Eurodollars: two years 9⅜-9⅝ per cent; three years 10-10¼ per cent; four years 10¼-10½ per cent; five years 10½-10¾ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen, others two days' notice.

MONEY MARKETS

Bank signals lower base rates

The cut of up to ½ per cent in Bank of England money market intervention rates at Friday lunchtime came as something of a surprise. Interbank rates had been little changed all week, and although there was a strong undercurrent of opinion expecting lower rates the authorities were generally thought likely to hold out until publication of the mid-July money supply figures on August 6.

Forecasts have tended to suggest these money supply figures will be satisfactory, with M3 probably flat on the month, and the move on Friday will reinforce these hopes.

A reduction in the mortgage rate announced by Britain's two biggest building societies on Thursday was an indication of the downward pressure on rates, but a major factor behind the Bank's move was sterling's very strong position on the foreign exchanges.

Several European currencies have been the subject of speculation about devaluations, following the cut in the value of the lira, while any potential strength in the D-mark or the dollar—regarded as a haven for funds at a time of currency unrest—will be restricted by interest rate factors.

German interest rates have been falling sharply. Call money in Frakfurt has dropped to 4.70 per cent from 5.50 per cent in the last month, encouraged by the Bundesbank. The central bank's council is now on a summer break, and has so far shown no wish to cut the discount or Lombard rates, but has steadily reduced the cost of money by offering large securities repurchase agreements to the banks at attractive rates, and by cutting the rate on three-day Treasury bills.

In the U.S. the subject of lower interest rates was again brought to the fore on Thursday night by a surprisingly large fall of $4.8bn in U.S. M1 money supply during the last reporting week. This figure has recently been well above even the Federal Reserve's new target range, and although there may be a rise of over $1bn next week, the general trend seems to be taking it nearer target.

A cut in the Federal Reserve's discount rate, and possibly the Bundesbank's key rates, may not be far off and against this background — plus possibly better UK money supply figures — the Bank of England may have decided it was time to move.

UK clearing banks base-lending rate 12 per cent since July 11-16.

MONEY RATES

July 26	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.50-4.80	9 1/16	⅞-1⅛	6⅜-6½	6.34375	14½-14⅞	6.5	11¼-11½
One month	5.05-5.20	9⅝-9¾	5 1/16-5 3/16	6¼-6⅜	6.34375	14⅛-14⅛	8⅝-8⅞	11¼-11½
Two months	5.05-5.20	9 11/16-9 13/16	—	—	—	—	—	11¼-11½
Three months	5.05-5.20	9¾-9⅞	5 1/16-5 3/16	6 5/16-6 7/16	6.28125	14½-14⅞	8¾-9	10⅞-11⅛
Six months	5.10-5.30	9⅞-10	—	6⅛-6¼	—	—	9-9¼	10¾-11
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	9⅝	—	6⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 26 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	9-12⅝	12⅝-12½	11-12¾	9-12⅝	—	—	—	—	—
2 days notice	—	—	12½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅝-12⅝	12⅝-12½	12⅝-12¾	12⅜-12½	—	—	—	—	—
One month	11⅞-11¾	11⅞-12⅝	12⅛	12⅛	11½	11 [illegible]	11 [illegible]	11 [illegible]	11¼	11 [illegible]
Two months	11 [illegible]-11⅝	11¾-12 [illegible]	11 [illegible]	12⅛	11¼	11¼	11⅛	11¼	11 [illegible]	11⅞
Three months	11 [illegible]-11 [illegible]	11 [illegible]-11 [illegible]	11¾	12	11	10 [illegible]	11 [illegible]	11 [illegible]	11 [illegible]	11 [illegible]
Six months	11⅛-11	11 [illegible]-11⅝	11½	—	—	—	—	10 [illegible]	10 [illegible]	11 [illegible]
Nine months	11-10 [illegible]	11⅛-11⅛	—	—	—	—	—	—	—	—
One year	11-10⅞	11⅛-11⅜	11⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅝-12⅜	—	12¼	7.75-7.85	7¾-8	8¾-9
Two months	12⅜-12⅛	—	12	7.75-7.85	7¾-8	8¾-9
Three months	12¼-12	—	11⅞	7.85-7.95	7⅞-8⅛	8¾-9
Six months	12-11¾	—	11⅝	8.1-8.2	7 15/16-8 3/16	8⅞-9⅛
Nine months	11¾-11½	—	11½	8.35-8.45	—	—
One year	11⅝-11⅜	—	11⅜	8.45-8.55	8 1/16-8 5/16	8⅞-9⅛
Two years	—	11 [illegible]	—	—	—	—
Three years	—	11	—	—	—	—
Four years	—	11	—	—	—	—
Five years	—	11	—	—	—	—

ECGD Fixed Finance IV: Average Rate of interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from July 1 1985. London and Scottish Clearing Bank Rate for lending 13 per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Treasury Bills: Average tender rate of discount 11.1326 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12 per cent; one-three months 11¾ per cent, three-six months 11½ per cent; six-nine months 11⅜ per cent; nine-12 months 11¼ per cent. Under £100,000 10¾ per cent from July 18. Deposits held under Series 5 11¾ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (4 pm)

Prime rate	9½
Broker loan rate	8½
Fed funds	7⅝
Fed funds at intervention	(—)

Treasury Bills

One month	6.65
Two month	6.80
Three month	7.23
Six month	7.34
One year	7.45

Treasury Bonds

Two year	99 25/32
Three year	101 12/32
Four year	99 [illegible]
Five year	99½
Seven year	99 [illegible]
10 year	103 [illegible]
30 year	104 [illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. July 26)

3 months U.S. dollars

bid 8 1/16	offer 8 3/16

6 months U.S. dollars

bid 8¼	offer 8⅜

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.